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A N N U A L  
R E P O R T



國浩集團有限公司  
**Guoco Group Limited**  
A Member of the Hong Leong Group Malaysia

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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 \*\*

\* *Non-executive director*

\*\* *Independent non-executive director*

## COMPANY SECRETARY

Stella Lo Sze Man

## PRINCIPAL OFFICE

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 Hong Kong

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## BRANCH SHARE REGISTRARS

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 Shops 1712-16  
 17th Floor, Hopewell Centre  
 183 Queen's Road East, Hong Kong

## PLACE OF INCORPORATION

Bermuda

## REGISTERED ADDRESS

Canon's Court, 22 Victoria Street  
 Hamilton HM 12, Bermuda

## INTERNET WEBSITES OF OTHER SUBSIDIARIES AND ASSOCIATES

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

GuocoLand (Malaysia) Berhad  
 (<http://www.mystorey.com>)

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

Hong Leong Assurance Berhad  
 (<http://www.hla.com.my>)

Dao Heng Securities Limited  
 (<http://www.dhsec.com>)

BIL International Limited  
 (<http://www.bilgroup.com>)

Thistle Hotels Limited  
 (<http://www.thistlehotels.com>)

## FINANCIAL CALENDAR

Annual results announcement	16 September 2005
Closure of Register of Members	13 October 2005 to 18 October 2005
Annual General Meeting	18 October 2005
Final dividend of HK\$3.00 per share payable on	21 October 2005
Interim results announcement	25 February 2005
Closure of Register of Members	14 March 2005 to 17 March 2005
Interim dividend of HK\$0.80 per share payable on	18 March 2005

**Quek Leng Chan**, aged 62, 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 52, 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 subsidiaries and associated companies including GuocoLand Limited (“GLL”), Camerlin Group Berhad, Hong Leong Bank Berhad and BIL International Limited. Mr Kwek is a qualified chartered accountant from 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 62, 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 was a consultant of KhattarWong 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 50, 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 57, 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 Lam Soon (Hong Kong) Limited and Shanghai Land Holdings 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 63, 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 62, 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 60, 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 for over 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 that in our fourth year of transforming the Company into an investment organisation, we have made further progress towards realising our Group vision of achieving long term sustainable return to shareholders. We have carried this out by investing in global capital markets and in core businesses with an Asian focus where our management's knowledge and competencies can add value. We are making sure and steadfast progress in strengthening our investment infrastructure and developing our synergistic investment processes. The enhanced competence of our investment teams and refined risk management framework have again contributed to another year of strong performance.

## FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$3,231 million, representing an increase of 32.4% over that of last year. Earnings per share rose 32.2% to HK\$9.82. This is a record profit for the Company apart from the one-off exceptional gain on disposal of Dao Heng Bank Group achieved in year 2001.

## SHAREHOLDERS' RETURNS

The directors will recommend the payment of a final dividend of HK\$3.00 per share at the forthcoming Annual General Meeting. This together with the interim dividend of HK\$0.80 per share paid during the year makes a total dividend of HK\$3.80 per share. Total dividend for the year amounted to HK\$1,250 million, representing a substantial increase of 26.7% as compared with the previous year. We aim to maintain a balanced and steady growth in dividend distributions to shareholders to achieve a consistent and sustainable investment yield.

I am pleased to note that the market has recognised the progressive improvements in the financial performance and strength of the Group whereby the share price of the Company has risen approximately 83.9% over the last three years, advancing from HK\$43.5 as at 30 June 2002 to HK\$80.0 as at 30 June 2005, outperforming the Hang Seng Index by over 50% in the corresponding period.

## CORPORATE EVENTS

As part of our strategies to achieve our mission, streamlining and restructuring of our corporate organisation and operations were continuously undertaken to optimise resources and to create synergies. This was achieved either through enhancement of operating entities, restructuring or, where appropriate, divestment of non-core assets.

To streamline our insurance interest, Dao Heng Insurance Co., Limited ("DHI") was divested and sold to Hong Leong Assurance Berhad ("HLAB") which is a wholly-owned subsidiary of Hong Leong Credit Berhad ("HLCB"). The purpose of the transaction was to pool together the relevant insurance business resources and expertise within the HLCB Group to create the synergy for the benefit of future business development of both DHI and HLAB. DHI will benefit from HLAB's expertise on a wider range of products and long-term business development. The Group would continue to have an indirect interest in DHI via its holding of approximately 25.7% interests in HLCB which wholly owns HLAB.

The Group had acquired a controlling interest of approximately 61.4% in Camerlin Group Berhad ("CGB") through a mandatory general offer triggered by acquisitions of CGB shares from related companies as well as conversion of its interests in CGB's irredeemable convertible unsecured loan stocks.

CGB is an investment holding company listed on Bursa Malaysia Securities Berhad. The major asset of CGB is a 22.3% investment in its associated company, BIL International Limited ("BIL") which is an investment holding company with primary listing on the Singapore Exchange and secondary listings on the London and New Zealand Stock Exchanges. BIL's core operating assets comprise Thistle Hotels Group and other investment projects.

The Group further acquired approximately 10.1% interests in BIL in July 2005, triggering a mandatory general offer on BIL. This offer will close on 30 September 2005. The Group had through further market purchases increased its direct and indirect shareholdings in BIL to 43.7% up to 15 September 2005. Being the single largest shareholder of BIL, we are confident that the Group can work with BIL's management to review and improve its operational performance and optimise the returns on BIL's asset base.

### HIGHLIGHTS OF OPERATIONS

#### GuocoLand Limited ("GLL")

The transformation of GuocoLand Limited into a regional property company has taken shape. The GLL Group's main strategy is to focus its core property operations in key identified geographical markets where there is good potential for growth and where returns on investment are attractive and sustainable. In executing this initiative, the GLL Group has established experienced embedded management teams in its core property markets of Singapore, China and Malaysia.

In Singapore, there are many opportunities for sizable property developers with the financial capacity to undertake exciting, scalable landmark property development projects. The GLL Group is working intensively to pursue these opportunities to build size, resilience, and our branding as a premier property company.

With continuous economic growth in the PRC and the increasing affordability of its people, basic demands for residential properties will remain strong. Having established property operations in Shanghai and Beijing, the GLL Group continues to expand its China operations in other major cities where there is a fast-growing middle class and a strong demand for good quality housing. In line with this strategy, the GLL Group has made its first inroads into Nanjing, a major city in the thriving Yangtze River delta and prosperous Jiangsu province.

Its associated company, GuocoLand (Malaysia) Berhad had also recently announced that it will be setting up a Real Estate Investment Trust with the investment objectives of acquiring and investing in a portfolio of quality yield-accretive commercial real estate.

### Hong Leong Credit Berhad (“HLCB”)

Our associated company, HLCB continues to progress on its journey towards becoming an integrated financial services group. Its approach was two pronged: business co-operation and product bundling through its “Integrated Sales Organisation” forum, and business and operational integration through its “Centres of Excellence” concept. It is currently consolidating certain operations such as its IT and data centres as well as building management. For implementation, HLCB has set up regional teams in the areas of treasury, investment banking and private banking.

HLCB’s subsidiary company, Hong Leong Bank Berhad (“HLBB”)’s transformation initiatives focusing on personal financial services, wealth management, reconfiguration of branches as well as establishment of a regional treasury platform have yielded significant results. Non-interest and fee related income recorded a robust growth of 48% in the current year to stand at RM344 million. Total assets grew by 17.5% to reach RM57.6 billion as at 30 June 2005.

HLBB also reached another critical milestone in being granted an Islamic banking licence by Bank Negara of Malaysia. It is a universal licence under the Malaysia’s dual banking infrastructure, not only for Islamic financing business but also allows HLBB to make inroad into the Islamic debt capital markets. With the establishment of Hong Leong Islamic Bank Berhad, the HLBB Group is well positioned to tap into the fast growing global Islamic banking sector leveraging on its existing domestic and regional platforms spanning Malaysia, Singapore and Hong Kong.

### TREASURY AND INVESTMENT ACTIVITIES

Our treasury and investment activities had another year of good performance. The year under review witnessed a challenging investment environment, characterised by persistently and exceptionally high oil prices, continued hikes in US interest rates and high volatility in financial markets. Despite all the headwinds mentioned for the year, the investment teams were able to capture market opportunities and produce creditable returns to the Group.

We are constantly enhancing our market coverage and research capability to extend our investment universe. We are also exploring direct investment opportunities in the PRC and other markets. A more structured and refined investment classification was established for all our strategic equity and direct investments. Special focus was placed on searching for opportunities under the categories of events-triggered stocks and undervalued situations as well as those counters with attractive sector exposures.

### CORPORATE GOVERNANCE

The Board has adopted the Code of Corporate Governance Practices which provides guidelines to reinforce our corporate governance principles. Continuous efforts are made to review and enhance the Group’s internal controls and procedures in light of local and international developments to instill best practices. To us, maintaining high standards of corporate governance practices is not just complying with the letter of the provisions but also the intent of the regulations to enhance corporate performance and accountability.



### OUTLOOK

Looking ahead, the investment climate remains uncertain. The high oil prices are exerting more pressure on global markets and Asia is vulnerable given its high dependency on oil imports. In the US, its economy has so far been resilient but a number of its structural issues, such as the twin deficits, remain unresolved. Low nominal interest rates continue to support equity valuation but prices are already fairly valued, with markets such as Australia trading near all time highs and most European markets at 3-year highs. On the other hand, there are opportunities around. Japan presents an interesting case as the economy and its corporate sector are producing more evidence of a turnaround. Exchange rate reforms for China and Malaysia present both threats and opportunities and we believe there is potential to explore in various sectors.

In China, economic growth may slow down marginally due to the implementation of macro control policies on the property market earlier this year, impact of a higher currency and problems from recent fuel shortages. However, there should not be any major concern as growth is still expected to be around 8% in both 2005 and 2006. This is positive for Hong Kong given the increasing integration of the two economies. Rising interest rates in the US will also affect the Hong Kong property market but so far property prices have stayed firm, reflecting the revival in the underlying economy and an improved employment market. China and Hong Kong will continue to be a major focus within our investment universe.

It will be a challenge to repeat the good investment results of last year but the Group remains confident that it is well-positioned to continue to deliver value to our shareholders.

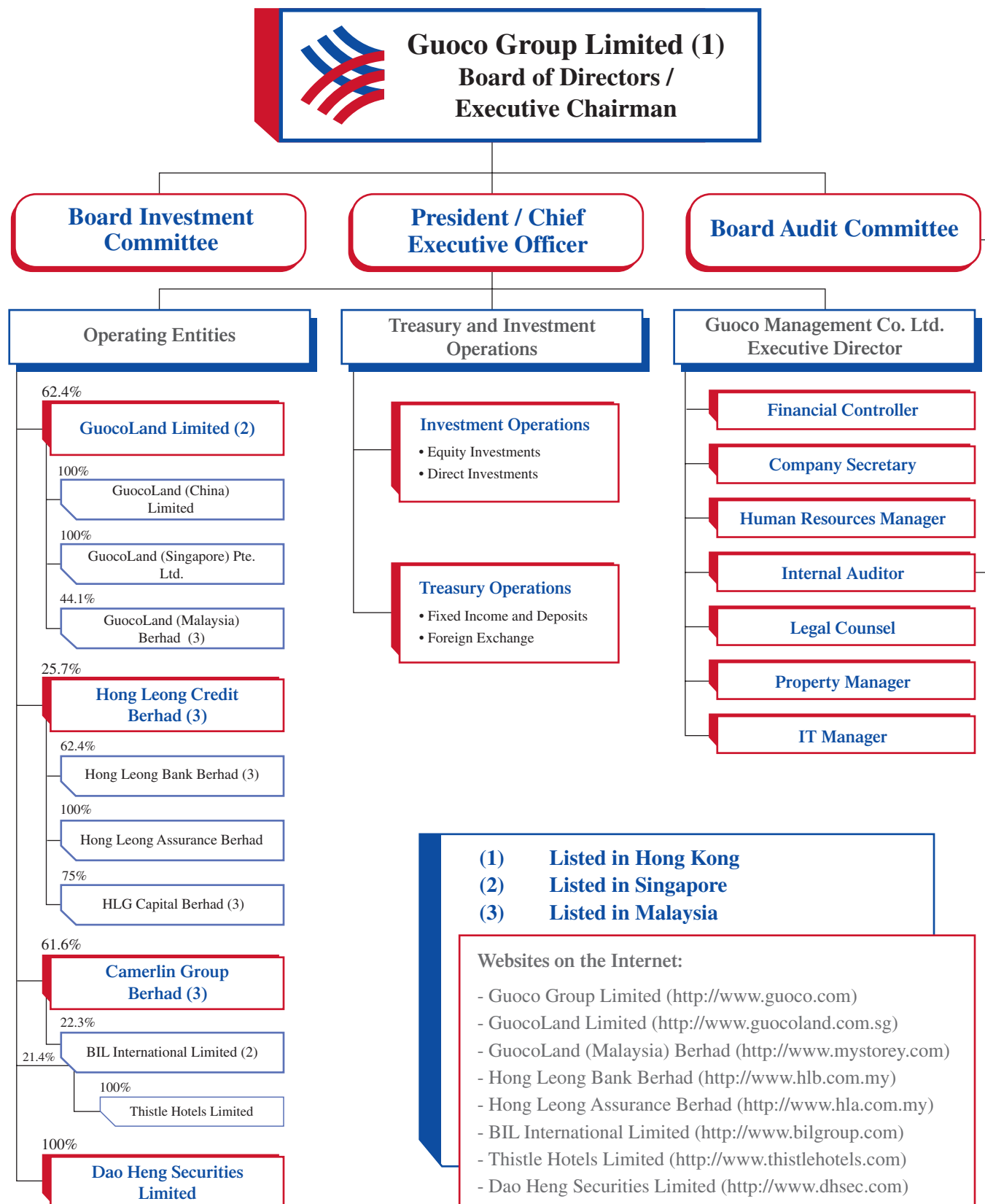
### APPRECIATION

I thank my fellow directors for their wise counsel and support throughout the year. I am appreciative of the hard work and commitment of the dedicated management and staff team whose efforts had enabled the transformation of the Group to what it is today. Last but not the least, I would like to thank our customers, bankers and shareholders whose confidence in us has provided great support for our next stage of development.

**Quek Leng Chan**

*Executive Chairman*

16 September 2005



## CORPORATE EVENTS

### *a. Disposal of Dao Heng Insurance Co., Limited (“DHI”) to Hong Leong Assurance Berhad (“HLAB”)*

The Group entered into a conditional sale and purchase agreement with HLAB on 11 January 2005 for the disposal of its entire interest in DHI at a cash consideration of approximately HK\$152.6 million, representing 1.2 times of the adjusted net tangible assets value of DHI as at 30 June 2004, after deducting HK\$40 million of dividends paid or payable to the Group. HLAB is a wholly-owned subsidiary of Hong Leong Credit Berhad. The Group realised a net profit of approximately HK\$8.8 million upon completion of the transaction.

### *b. Acquisition of 40.0% interest in Camerlin Group Berhad (“CGB”) and mandatory general offer on the remaining securities of CGB held by public*

On 12 January 2005, the Group entered into a securities sale agreement with Hong Leong Industries Berhad and its subsidiary, GuocoLand Limited and Hong Leong Computer Services Sdn Bhd for the acquisitions of approximately 40.0% of the total issued share capital in CGB and approximately 72.3% of the outstanding nominal value of irredeemable convertible unsecured loan stocks (“ICULS”) of CGB at a total consideration of approximately RM236.6 million (approximately HK\$485.5 million). The consideration is calculated based on RM1.20 per CGB share and RM1.04 per CGB ICULS.

The acquisitions enabled the Group to acquire substantial interests in CGB and to become the single largest shareholder of CGB. Pursuant to The Malaysian Code of Take-overs and Mergers, the Group undertook a mandatory general offer to acquire the remaining shares, outstanding ICULS and warrants of CGB not held by the Group at the respective prices of RM1.20 per share, RM1.04 per ICULS and RM0.01 per warrant, upon completion of the acquisitions. As at 30 June 2005, the Group owned approximately 61.4% shareholding in CGB.

### *c. Mandatory general offer (“MGO”) for BIL International Limited (“BIL”)*

On 13 July 2005, the Group acquired approximately 10.1% of the issued share capital of BIL at S\$1.20 per share for a total consideration of approximately S\$166.2 million. Since the Group already owned directly and indirectly about 29.5% of BIL before this acquisition, the Group was required under the Singapore Code on Takeovers and Mergers to make a conditional MGO for BIL. The MGO period was extended to close on 30 September 2005.

The Group further acquired 4.1% shareholding in BIL through market purchases to attain a total interest of 43.7% in BIL up to 15 September 2005.

## TREASURY AND INVESTMENT ACTIVITIES

The Board Investment Committee has been mandated by the Board to oversee and direct the Group’s investment process and to review regularly 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 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 global economy and equity markets remained robust throughout the year despite the headwinds of high oil prices and continued rate hikes in the US. The strength in financial markets together with fundamental research by our investment teams enabled the Group to generate attractive returns during the year.

The investment teams focused on relevant macro factors to determine our asset allocation methodology across asset classes as well as the geographical spread. During the year, the Group continued to concentrate on regional markets such as Australia, Hong Kong, China and Singapore, with exposures in the United Kingdom and the United States also increased. Our activities in the Japan market were minimal and this proved to be a right decision as the market was marginally down during the year. At the stock-level, the investment teams maintained its value approach with a strong emphasis on high dividend stocks. Besides generating attractive capital gains, these stocks produced substantial recurrent dividend income of approximately HK\$259 million during the year.

In order to meet the investment challenges presented by markets, the Group is committed to deploy more resources to the investment teams on an on-going basis. During the year, additional experienced portfolio managers and supporting staff were employed to provide more extensive and in-depth market coverage. Proprietary investment models were refined and developed to provide enhanced in-sights and research capabilities. The Group is also in the process of introducing a new portfolio management system. Upon full installation, this system will provide more sophisticated reporting and control functions to our investment and treasury activities.

The Group's treasury and investment management sector contributed approximately HK\$2,329 million to the operating profit before finance cost for the year. This creditable result demonstrated the success of our treasury and investment teams' abilities as well as the effectiveness of our enhanced investment infrastructure. The major contributions to the operating profit arose from the following:

- total interest income of about HK\$531 million;
- total foreign exchange gain (mainly from foreign currency deposits) of about HK\$382 million;
- total realised and unrealised gains on investments of about HK\$1,310 million; and
- dividend income of about HK\$259 million.

On 3 February 2005, the Group made a financing investment comprising the acquisition of 17.3% of the economic interest (the "GC Interests") in Galaxy Casino S.A. ("GC") and the entering into of two option deeds ("Option Deeds") whereby the option holders have call options and the Group has put options over the GC Interests.

On 22 July 2005, the Group completed the sale of the GC Interests to a wholly-owned subsidiary of K. Wah Construction Materials Limited ("KWCM") in consideration of 325,615,622 new KWCM shares ("Consideration Shares") issued at HK\$8.0 per share (representing about 9.9% of the enlarged issued share capital of KWCM), cash of HK\$565.5 million and fixed rate notes ("FRNs") of HK\$85.8 million. The Consideration Shares and the FRNs have replaced the GC Interests and will continue to be subject to the call options and the put options pursuant to the Option Deeds. The Group expects to receive from this financial investment a maximum net return of about HK\$403 million, which includes a possible bonus based on a pre-determined formula with a profit sharing arrangement.

## **GUOCOLAND LIMITED ("GLL") — 62.4% OWNED BY THE GROUP**

For the financial year ended 30 June 2005, the GLL Group reported a net profit of S\$76.0 million compared to S\$120.0 million in the previous year. The net profit in the previous year included a non-recurring profit of S\$70.4 million from the disposal of the GLL Group's investment in Benchmark Group Plc ("Benchmark"). The GLL Group's net asset value per ordinary share increased from S\$1.44 as at 30 June 2004 to S\$1.67 as at 30 June 2005.

The GLL Group's revenue and cost of sales increased by 39.8% and 35.2% to S\$419.5 million and S\$345.9 million respectively for the financial year ended 30 June 2005. The increase was mainly due to higher revenue and cost of sales recognised from its residential project in Central Park, Shanghai partially offset by lower revenue and cost of sales of its property development projects in Singapore. The GLL Group's gross profit for the financial year increased by 66.5% to S\$73.6 million.

Other operating income of S\$46.5 million for the financial year ended 30 June 2005 was mainly due to mark-to-market gains on financial assets whereas in the previous year, other operating income of S\$82.8 million was primarily due to the profit from the disposal of Benchmark.

The GLL Group's finance costs increased by 103.5% to S\$13.5 million as the finance costs for certain property development projects which were previously capitalised as part of development projects are now charged to the profit and loss account after these projects obtained temporary occupation permits.

The GLL Group's associates contributed a profit before tax of S\$9.8 million, a decrease of 57.5% over the previous year. As the profit contribution from Benchmark had ceased from June 2004, this had resulted in a lower profit contribution from the GLL Group's associates for the financial year ended 30 June 2005. This decrease was partially offset by higher profit contribution from the GLL Group's 40% associates, Razgrad Pte Ltd, which owns The Ladyhill and Crawford Pte Ltd, which owns The Boulevard Residence.

The GLL Group currently has seven launched developments on the market in Singapore: Sanctuary Green, The Gardens at Bishan, Bishan Point, Le Crescendo, Leonie Studio, The Ladyhill (in which the GLL Group has 40% interest) and The Boulevard Residence (in which the GLL Group has 40% interest).

In Singapore, the package of property measures announced by the Singapore Government in July 2005 is positive for the residential sector. These measures which include a relaxation in financing rules and rules on foreign ownership of private residential properties, are expected to improve demand for private properties. In addition, with Singapore's economic growth now forecasted to be higher at 3.5% to 4.5% for 2005, it is expected that the operating environment in Singapore will improve and the GLL Group will position itself to capitalise on an expected growth in demand. Launches in the pipeline in 2005 include the freehold Paterson Residence (a 110-unit development), The View @ Meyer (a freehold 45-unit development) and a 160-unit development on a freehold site at West Coast Road.

The GLL Group had submitted a concept proposal to bid for the Integrated Resort at Marina Bayfront in Singapore and is shortlisted to participate in the final tender which is expected to be launched in the third quarter of 2005.

In Shanghai, the GLL Group received an overwhelming response for its 262-unit residential project, Central Park, achieving total sales of 99% while Corporate Square in Beijing is 73% sold. In Beijing, the launch of West End Point, a residential development within the Second Ring Road in Feng Sheng, Xicheng District is in the pipeline upon completion of resettlement. In July 2005, the GLL Group acquired a site of approximately 296,002 square metres which is situated opposite the scenic Purple Mountains in Xuanwu district, in the eastern part of Nanjing City. This site can be developed into a resort style development with low to mid-rise apartments, retail outlets and recreational facilities.

In China, the economy grew at 9.5% in the first half of 2005. The recent move to float the yuan to a basket of currencies and the government's continuing measures to stabilise the property market are positive for the further development of China's economy. The GLL Group expects the economic growth and the demand for residential properties in China to remain sustainable in the medium and long run. Besides Shanghai and Beijing, the GLL Group's recent acquisition of a sizeable residential site in the Xuanwu district of Nanjing City, marks the GLL Group's entry into another major city in China.

In Malaysia, the GLL Group has increased its interest in GuocoLand (Malaysia) Berhad ("GLM") to 44.1%. With the recent positive changes in the guidelines in Malaysia for the operation of Real Estate Investment Trusts ("REIT"), GLM announced recently that it will be setting up a REIT with the investment objectives of acquiring and investing in a portfolio of quality yield-accretive commercial real estate which will provide a stable income and medium to long-term capital appreciation to unitholders as well as provide stable recurring management income to GLM. Subject to approvals of the relevant authorities, units in GLM REIT are proposed to be listed on the Main Board of Bursa Malaysia Securities Berhad.

The depegging of the ringgit to the US dollar and an upbeat economic growth outlook are positive developments in Malaysia, which is also a core property market for the GLL Group, through its interest in GLM.

### **HONG LEONG CREDIT BERHAD ("HLCB") — 25.7% OWNED BY THE GROUP**

The HLCB Group recorded a higher pre-tax profit of RM808.2 million as compared to RM719.0 million in the previous year, an increase of 12.4%. This is mainly due to higher profit from the banking division as reported below and savings in finance costs of RM8.2 million.

At the operating level, the profit after tax and minority interest amounted to RM375.2 million, representing an increase of 31.5% from RM285.3 million of the previous year, which was before including the gain of RM103.2 million on deemed disposal of shares in Hong Leong Bank Berhad by HLCB as a result of a special issue of shares to Bumiputra investors last year.

The banking division recorded a pre-tax profit of RM722.2 million, an increase of 36.6% or RM193.5 million as compared to RM528.7 million in the previous year. Total income increased by RM69.7 million, mainly from non-interest income. Loan loss provision declined by RM201.3 million due to the absence of lumpy specific provisions made in the previous year.

The insurance division registered a profit before tax of RM95.5 million for the financial year ended 30 June 2005 compared to a profit before tax of RM124.1 million for the previous year, a decrease of 23.0%. This was principally due to lower investment income as well as the lower underwriting profit. Investment income decreased against last year when a large portion of equity holdings was disposed of while taking advantage of the positive sentiments in the Malaysia Stock Exchange.

The stockbroking division registered a profit before taxation of RM16.9 million compared to a profit before tax of RM30.7 million in the previous financial year, a decrease of 45.0%. The lower profit before tax for the current financial year was due to less favourable stock market conditions.

## CAMERLIN GROUP BERHAD (“CGB”) — 61.6% OWNED BY THE GROUP

CGB recorded a profit before tax of RM34.9 million for the six months period ended 30 June 2005 as compared with that of RM38.1 million for the corresponding period last year. The decrease in profit before tax is due to lower profit contribution from its 22.3% owned associate, BIL International Limited (“BIL”), which is CGB’s only investment. The better results achieved by BIL in the preceding year’s corresponding period were primarily due to the exceptional gain resulting from disposal of investments and unrealised foreign exchange gains.

BIL is an international investment company with a global portfolio of investments. BIL’s current key investments are in (i) Thistle Hotels, a hotel chain in the United Kingdom; (ii) development properties on the island of Molokai in Hawaii; (iii) development properties in Denarau, Fiji; and (iv) a share in the 2.5% royalty on the gross value of all hydrocarbons, liquid or gas produced and recovered in designated areas within Australia’s Bass Strait.

## FINANCIAL COMMENTARY

### Turnover

Overall turnover increased by HK\$2,828 million or 23.6%, mainly attributable to the increase of 19.3% or HK\$1,928 million in income from treasury and investment management.

Treasury and investment management sector accounted for approximately 86.1% of the contribution from operations.

### Borrowings

By 30 June 2005, the Group had reduced its total borrowings by 13.9% to HK\$3,830 million from HK\$4,446 million as at 30 June 2004. Unsecured borrowing comprises 45.1% of total borrowings. The borrowings 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	1,058,927	92,262	1,151,189
After 1 year but within 2 years	728,050	612,480	1,340,530
After 2 years but within 5 years	784,350	553,654	1,338,004
	1,512,400	1,166,134	2,678,534
	2,571,327	1,258,396	3,829,723

The loans were secured by the following:

- legal mortgages on investment properties with a book value of HK\$575 million;
- legal mortgages on development properties with a book value of HK\$3,449 million; and
- certain equity investments with total carrying value of HK\$382 million.

As at 30 June 2005, the Group had net cash balance of HK\$19,740 million after netting off the total borrowings of HK\$3,830 million.

### *Contingent Liabilities*

As at 30 June 2005, neither the Group nor the Company had any contingent liabilities.

### *Capital and Finance*

The Group's consolidated shareholders' funds as at 30 June 2005 after adjusting for the major items set out below, amounted to HK\$32,611 million. The major adjustments are as follows:

- share repurchased and cancelled by a subsidiary of HK\$27 million;
- share of subsidiaries' and associates' capital reserves movement of HK\$45 million;
- net exchange difference of HK\$75 million; and
- purchase of own shares for the Share Option Plan of HK\$79 million.

## **HUMAN RESOURCES AND TRAINING**

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 280 employees as at 30 June 2005. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to providing 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
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
<b>2005</b>	<b>5,191,012</b>	<b>663,420</b>	<b>4,196,018</b>	<b>415,668</b>	<b>0.49</b>

HK\$'000

Years	Total assets	Total liabilities	Shareholders' funds	Net profit after tax	Dividend per share
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
<b>2005</b>	<b>40,344,546</b>	<b>5,156,101</b>	<b>32,611,451</b>	<b>3,230,572</b>	<b>3.80</b>

Notes :

- (a) The figures for 1996 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 2005 were after the disposal of the banking subsidiaries.

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The directors of the Company have pleasure in presenting their report together with the audited financial statements of the Group for the year ended 30 June 2005.

## 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 treasury and investment management, property development and investment, stock and commodities broking and investment advisory. The principal activities of the associates which materially affected the results of the Group during the year include fund management, banking and financing, insurance and stockbroking, property development, merchant banking as well as hotel investment and management.

The analysis of the principal activities and locations of operations of the Company and its subsidiaries during the year is set out in Note 15 on the financial statements.

## SUBSIDIARIES

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

## FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2005 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 43 to 97.

## DIVIDENDS

An interim dividend of HK\$0.80 (2004: HK\$0.40) per share totalling HK\$263,241,000 (2004: HK\$131,621,000) was paid on 18 March 2005. The directors are recommending payment of a final dividend in respect of the year ended 30 June 2005 of HK\$3.00 (2004: HK\$2.60) per share totalling HK\$987,154,000 (2004: HK\$853,908,000).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 October 2005 to 18 October 2005, 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 12 October 2005.

## 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	15%
Five largest suppliers in aggregate	32%

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\$162,000 (2004: US\$73,000).

## SHARE CAPITAL, CONVERTIBLE SECURITIES AND WARRANTS

The Company did not issue any new shares during the year. Details of the share capital of the Company during the year are shown in Note 32 on the financial statements.

### GuocoLand Limited (“GLL”, a 62.4% subsidiary of the Company)

On 29 November 2002, GLL issued 101,671,676 4.5% Non-Redeemable Convertible Cumulative Preference Shares (“NCCPS 2005”) which are convertible into ordinary shares of GLL based on one ordinary share for every one NCCPS 2005 held. Any outstanding NCCPS 2005 on 29 November 2005 will be automatically converted into ordinary shares of GLL.

During the year, GLL issued 15,500 ordinary shares to the holders of the NCCPS 2005 upon the conversion of 15,500 NCCPS 2005. There were 108,315 NCCPS 2005 outstanding as at 30 June 2005.

### Camerlin Group Berhad (“CGB”, a 61.6% subsidiary of the Company)

The irredeemable convertible unsecured loan stocks (“ICULS”) issued by CGB in July 2002 have a maturity date of 15 July 2007 and carry a coupon rate of 5.5% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM1.00 each in CGB at any time from the date of issuance. The conversion price of the ICULS has been fixed at RM1.16 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS or a combination of ICULS and cash, provided that at least RM1.00 nominal value of ICULS must be surrendered for every one share.

No ICULS had been converted into new ordinary shares since CGB became the subsidiary of the Group on 6 April 2005 and up to 30 June 2005. There were RM30,924,000 ICULS outstanding as at 30 June 2005.

CGB had, on 25 July 1997, issued 59,162,371 detachable warrants pertaining to the US\$105 million Five-year Secured Floating Rate Notes 1997/2002. Each warrant entitles its registered holder to subscribe for one new ordinary share of RM1.00 each in CGB at the subscription price of RM2.00 which was adjusted to RM1.90 effective on 4 June 2002 in accordance with the provisions of the deed polls. The warrants may be exercised at any time commencing from 25 July 1997 but not later than 25 January 2002 (both dates inclusive). The subscription period for the outstanding warrants was subsequently extended for a further period of 5.5 years from the existing expiry date of 25 January 2002 to 25 July 2007.

No warrants had been converted into new ordinary shares since CGB became the subsidiary of the Group on 6 April 2005 and up to 30 June 2005. There were 43,745,371 warrants outstanding as at 30 June 2005. Any warrants which have not been exercised at the date of maturity will lapse and cease to be valid for any purpose.

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

During the year, a wholly-owned subsidiary of the Company, as the trustee for a trust (the “Trust”) set up for the purpose of acquiring existing shares of the Company to satisfy the exercise of options which may be granted under the share option plan adopted by the Company on 16 December 2002, purchased an aggregate of 1,020,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK\$78,744,522 for the Trust.

Save as above, during the year the Company had not redeemed, neither the Company nor any of its other subsidiaries purchased or sold any of the Company’s listed securities.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 33 on the financial statements.

## INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$6.9 million (2004: approximately US\$12.9 million).

## FIXED ASSETS

Movements in fixed assets during the year are set out in Note 14 on the financial statements.

## PROPERTIES

Particulars of the major development properties, properties held for sale and investment properties of the Group are shown on pages 98 to 100.

## PRE-EMPTIVE RIGHTS

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

## 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 are:

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\*\*

\* *Non-executive director*

\*\* *Independent non-executive director*

In accordance with the Company's Bye-Law 99, Messrs Kwek Leng San and Tan Lim Heng retire from office by rotation at 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 from each of the independent non-executive directors of independence for the year ended 30 June 2005 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 2005, 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	224,458,295	226,114,620 <i>Note</i>	68.72%
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 226,114,620 shares/underlying shares comprised 218,255,772 ordinary shares of the Company and 7,858,848 underlying shares of other unlisted derivatives.

The corporate interests of 224,458,295 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
GuoInvest International Limited ("GuoInvest")	6,425,000
Asian Financial Common Wealth Limited ("AFCW")	1,020,000

AFCW was wholly owned by the Company which was in turn 65.52% owned by GOL. GOL and GuoInvest were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("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 interests of 7,487,100 shares were 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	459,407,229	473,454,453	1	71.14%
Kwek Leng Hai	18,851,140	—	18,851,140		2.83%
Sat Pal Khattar	5,000,000	5,392,362	10,392,362	2	1.56%
Tan Lim Heng	450,000	—	450,000		0.07%
Volker Stoeckel	100,000	—	100,000		0.01%

\* Ordinary shares

*Notes:*

- The corporate interests of 459,407,229 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")	69,664,298

GIPL and AFI were wholly-owned subsidiaries of the Company. HLCS was wholly owned by Hong Leong Management Co Sdn Bhd (renamed as HLCM Capital 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)			Notes	Approx. % of the issued share capital of HLCB
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	11,046,600	820,996,998	832,043,598	1	79.95%
Kwek Leng Hai	2,316,800	—	2,316,800	2	0.22%
Kwek Leng San	600,000	—	600,000		0.06%
Tan Lim Heng	245,700	—	245,700		N/A

\* Ordinary shares unless otherwise specified in the Notes

#### Notes:

- The total interests of 832,043,598 shares/underlying shares comprised 824,813,898 ordinary shares of HLCB and 7,229,700 underlying shares of other unlisted derivatives.

The corporate interests of 820,996,998 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,476,568
HLCM Capital Sdn Bhd ("HLCM Capital")	207,184
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 HLCM Capital 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 2,316,800 shares/underlying shares comprised 2,156,000 ordinary shares of HLCB and 160,800 underlying shares of listed physically settled options issued by HLCB.



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

### (B) Associated Corporations (Cont'd)

#### d) GuocoLand (Malaysia) Berhad ("GLM") (formerly known as Hong Leong Properties Berhad)

Director	Number of *shares/underlying shares (Long Position)			Notes	Approx. % of the issued share capital of GLM
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	3,266,280	329,274,533	332,540,813	1	47.47%
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 Notes

#### Notes:

- The total interests of 332,540,813 shares/underlying shares comprised 324,313,833 ordinary shares of GLM, 6,567,020 underlying shares of listed physically settled options issued by GLM and 1,659,960 underlying shares of other unlisted derivatives.

The corporate interests of 329,274,533 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")	308,675,957
HLCM Capital Sdn Bhd ("HLCM Capital")	62,723
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")	6,566,993

GLLM was wholly owned by GuocoLand Limited ("GLL") which was in turn 51.94% owned by Guoco Investment Pte Ltd ("GIPL"). GIPL was wholly owned by the Company. HLIT was wholly owned by HLI which was in turn 60.03% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HPM was wholly owned by Hume Industries (Malaysia) Berhad which was in turn 63.80% 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 HLCM Capital.

MPI(BVI) was wholly owned by Malaysian Pacific Industries Berhad which was in turn 56.11% owned by HLI.

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

HLCB was 78.19% owned by HLCM.

- The total interests of 162,700 shares/underlying shares comprised 152,700 ordinary shares of GLM and 10,000 underlying shares of listed physically settled options issued by GLM.

# 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	2,552,000	169,916,235	172,468,235	1	78.95%
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	3	N/A
Kwek Leng San	1,800,000	—	1,800,000	5	0.82%
	MYR1,550,000	—	MYR1,550,000	3	N/A

\* Ordinary shares unless otherwise specified in the Notes

#### Notes:

- The total interests of 172,468,235 shares/underlying shares comprised 133,811,900 ordinary shares of HLI and 38,656,335 underlying shares of listed physically settled options issued by HLI.

The corporate interests of 169,916,235 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	167,684,372
Hong Leong Management Co Sdn Bhd ("HLMC")	46,703
Hong Leong Assurance Berhad ("HLA")	1,935,483
Hong Leong Bank Berhad ("HLBB")	249,677

HLBB was approximately 60.22% owned by Hong Leong Credit Berhad ("HLCB") which wholly owned HLA.

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

The controlling shareholder of HLMC (renamed as HLCM Capital Sdn Bhd) 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)(d) above.

- The total interests of 215,312 shares/underlying shares comprised 163,200 ordinary shares of HLI and 52,112 underlying shares of listed physically settled options issued by HLI.
- These debentures were freely transferable and convertible into shares of HLI.
- The total interests of 208,580 shares/underlying shares comprised 171,000 ordinary shares of HLI and 37,580 underlying shares of listed physically settled options issued by HLI.
- The total interests of 1,800,000 shares/underlying shares comprised 1,550,000 ordinary shares of HLI and 250,000 underlying shares of listed physically settled options issued by HLI.

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

### (B) Associated Corporations (Cont'd)

#### 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	953,685,600	953,725,600 <i>Note</i>	62.39%
Kwek Leng Hai	3,955,700	—	3,955,700	0.26%
Sat Pal Khattar	294,000	—	294,000	0.02%
Kwek Leng San	385,000	—	385,000	0.03%

\* Ordinary shares

*Note:*

The corporate interests of 953,685,600 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Credit Berhad ("HLCB")	951,573,500
Hong Leong Assurance Berhad ("HLA")	2,112,100

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

#### g) HLG Capital Berhad ("HLGC")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLG
	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

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

## (B) Associated Corporations (Cont'd)

### 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	116,242,309	116,295,809 <i>Note</i>	58.46%
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 116,295,809 shares/underlying shares comprised 113,950,309 ordinary shares of MPI and 2,345,500 underlying shares of other unlisted derivatives.

The corporate interests of 116,242,309 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")	2,345,500
Hongvest Sdn Bhd ("Hongvest")	735,000
Hong Leong Nominees Sendirian Berhad ("HLN")	6,462
Hong Leong Assurance Berhad ("HLA")	1,295,800
Hong Leong Bank Berhad ("HLBB")	250,000

Hongvest was wholly owned by MPI Holdings Sdn Bhd which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM").

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

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

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

The respective controlling shareholders of HLA and HLBB 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	118,536,428	122,570,428 <i>Note</i>	66.26%
Sat Pal Khattar	200,000	—	200,000	0.11%

\* Ordinary shares

*Note:*

The corporate interests of 118,536,428 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	116,937,027
HLCM Capital Sdn Bhd ("HLCM Capital")	19,401
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 HLCM Capital and its percentage control are shown in Note 1 of Part (B)(b) above.

The controlling shareholder 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 1 of Part (B)(d) above.

# 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.	619,000	—	619,000	0.25%

\* Ordinary shares

### l) BIL International Limited ("BIL")

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of BIL
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	150,000	537,655,949	537,805,949	39.31%

\* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 537,805,949 shares/underlying shares comprised 403,958,449 ordinary shares of BIL, 75,000,000 underlying shares of unlisted cash settled options issued by BIL and 58,847,500 underlying shares of other unlisted derivatives.

The corporate interests of 537,655,949 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Guoinvest International Limited ("Guoinvest")	11,027,000
GuoLine Overseas Limited ("GOL")	47,820,500
Checkenden Limited ("Checkenden")	25,000,000
First Capital Assets (BVI) Limited ("FCA(BVI)")	75,000,000
Asia Fountain Investment Company Limited ("AFI")	74,247,242
Camerlin Group Berhad ("CGB")	31,845,810
Camerlin Holdings Sdn Bhd ("CHSB")	269,742,547
Camerlin Investments Limited ("CIL")	2,972,850

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

Checkenden and FCA(BVI) were wholly owned by GuocoLand Limited ("GLL"). The controlling shareholder of GLL and its percentage control are shown in Note 1 under Part (B)(d) above.

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

CHSB and CIL were wholly owned by CGB. CGB was 42.33% owned by Brightspring Holdings Limited which was in turn wholly owned by the Company. The controlling shareholder of the Company and its percentage control are shown in the Note under Part (A) above.

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

### (C) Others

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

Guoman Hotel & Resort Holdings Sdn Bhd	MEHY Sdn Bhd
Luck Hock Venture Holdings, Inc.	RZA Logistics Sdn Bhd
Carsem (M) Sdn Bhd	Lam Soon (Hong Kong) Limited
Carter Realty Sdn Bhd	LS Golden Oils & Fats Limited
Guolene Packaging Industries Berhad	Kwok Wah Hong Flour Company Limited
Guocera Tile Industries (Meru) Sdn Bhd	M.C. Packaging Offshore Limited
Guocera Tile Industries (Labuan) Sdn Bhd	Lam Soon Ball Yamamura Incorporation
Hong Leong Fund Management Sdn Bhd	Guangzhou Lam Soon Food Products Limited
Hong Leong Yamaha Distributors Sdn Bhd	Shenzhen Lam Soon Edible Oils Company Limited
Hong Leong Yamaha Motor Sdn Bhd	Shekou Lam Soon Silo Company Limited
Camerlin Group Berhad	HLG Capital Berhad
	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 2005, 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 by the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

## SHARE OPTIONS

### The Company

#### *Share Option Scheme*

A share option scheme (the "Share Option 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 Share Option Scheme shall not in aggregate exceed 32,905,137 which represents 10% of the shares in issue of the Company on the date of this report. The maximum entitlement for any Eligible Employee in respect of the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant does not exceed 1% of the shares of the Company in issue.

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

A nominal consideration of HK\$1 is payable on acceptance of the share option within 21 days inclusive of, and from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant in respect of such offer. No share option may be granted more than ten years after 29 November 2001, the date on which the Share Option Scheme was adopted by the Company.

No share option was granted to any Eligible Employee pursuant to the Share Option Scheme during the year.

**SHARE OPTIONS (Cont'd)****The Company (Cont'd)***Share Option Plan*

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

Unlike a traditional employee share option scheme, the Share Option Plan does not involve options over unissued shares of the Company and thereby avoids the uncertainty for the shareholders of potential dilutionary effect on the Company’s issued share capital from time to time. A trust (the “Trust”) has been set up for the purpose of acquiring existing shares of the Company from time to time to satisfy the exercise of options which may be granted under the Share Option Plan 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 32,905,137 which represents 10% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Participant in respect to the total number of shares transferred and to be transferred upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant will not exceed 1% of the shares of the Company in issue at any date of grant.

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

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

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

**GuocoLand Limited (“GLL”)**

GLL’s Executives’ Share Option Scheme (the “ESOS”) was approved by both the shareholders of GLL and of the Company on 31 December 1998 and 1 February 1999, respectively.

In October 2004, the approvals of shareholders of GLL and the Company were sought to effect various amendments to the rules of the ESOS (the “Rules”) to, inter alia, allow grant of options over both newly issued and existing shares of GLL and to align the Rules with Chapter 17 of the Listing Rules (the “Modified ESOS”).

The Modified ESOS 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 Modified ESOS shall select confirmed employees of the GLL Group and the executive directors of GLL (“GLL Employees”) to become participants in the Modified ESOS.

The aggregate number of GLL shares over which the Committee may grant options under the Modified ESOS on any date shall not exceed 5% of the issued share capital of GLL on the day preceding that date, provided that the maximum aggregate number of GLL shares over which the Committee may grant shall not exceed 10% of the issued share capital of GLL as at 29 October 2004, i.e. 66,552,415. Accordingly, as at the date of this report, the total number of GLL shares available for issue under the Modified ESOS is 66,552,415 which represents approximately 10.0% of the issued share capital of GLL.



## SHARE OPTIONS (Cont'd)

### GuocoLand Limited ("GLL") (Cont'd)

The maximum entitlement of any GLL Employee shall not exceed 1% of the share capital of GLL in issue in respect of the total number of GLL shares issued or to be issued upon the exercise of options granted in any 12-month period. 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 Modified ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on 31 December 1998.

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

On 27 April 1999, 5,380,000 options were granted under the ESOS to GLL Employees, at the exercise price of S\$2.28 per share with an exercise period of 10 years from the date of grant. As at 1 July 2004, there were 3,440,000 outstanding options which have since lapsed on 31 December 2004.

Pursuant to the Modified ESOS, the following options were granted in respect of an aggregate of 18,500,000 GLL shares during the financial year:

Date of Grant	Grantees	No. of GLL Shares comprised in Options	Exercise Price per GLL Share	Notes
1 November 2004	selected key executives of GLL	12,500,000	S\$1.19	1
30 May 2005	selected key executive of GLL	6,000,000	S\$1.32	2

#### Notes:

- The exercise price was determined based on the average closing price for the five days preceding 29 October 2004. The closing market price per GLL share on 29 October 2004 (the trading date immediately before the date of grant) was S\$1.20. Subject to certain financial and performance targets being met by the grantees during the performance period for the financial years 2004/05 to 2006/07, the grantees may, at any time after 1 July 2007 or, at such other time as may be prescribed by the Committee at its sole discretion, be notified ("Date of Notification") of the vesting of the options and the number of GLL shares comprised in the vested options. Thereafter, the grantees shall have an exercise period of up to two years from the Date of Notification, or such other period as may be prescribed by the Committee at its sole discretion, to exercise the vested options in accordance with the terms of their grant.

During the financial year, none of the granted options had lapsed. Further, as no GLL shares were vested onto the grantees during the period, no GLL shares were issued or transferred.

- The exercise price was determined based on the average closing price for the five days preceding 27 May 2005. The closing market price per GLL share on 27 May 2005 (the trading date immediately before the date of grant) was S\$1.34. Under the terms of the grant, a first tranche of 2,000,000 GLL shares may be exercised at any time within one year from the first anniversary of the date of grant, or such other period as may be prescribed by the Committee at its sole discretion. Subject to certain financial and performance targets being met by the grantee during the performance period for the financial years 2005/06 to 2006/07, the grantee shall have an exercise period of up to two years from the date of vesting, or such other period as may be prescribed by the Committee at its sole discretion, to exercise the vested option of up to the remaining 4,000,000 GLL shares in accordance with the terms of the grant.

During the financial year, 2,000,000 GLL shares were vested onto the grantee. However, no GLL shares were issued or transferred during the period.

**SHARE OPTIONS (Cont'd)****GuocoLand Limited (“GLL”) (Cont'd)**

As none of the above newly granted options under the Modified ESOS have lapsed, there were 18,500,000 outstanding options as at 30 June 2005.

Assuming that the Black-Scholes option pricing valuation model is adopted, the fair values of the options granted as at the respective dates of grant on 1 November 2004 and 30 May 2005 were S\$0.103 and S\$0.097 per option, respectively. The significant assumptions in the Black-Scholes model used to estimate the value of the options have taken into account the following factors:

- risk-free rate - based on the yields of Singapore Government Securities bonds in issue on the respective grant dates;
- volatility - based on one year historical volatility of the stock to the grant date;
- dividend yield - based on a dividend payout of 8 cents per share; and
- expected option life - based on the assumption that all performance targets will be met and that the likely exercise date occurs at the midpoint of the exercise period.

The Black-Scholes option pricing model requires the input of highly subjective assumptions which can materially affect the fair value estimates. As such, the model does not necessarily provide a single definitive measure of the fair value of the share options granted.

Save for above, certain subsidiaries (other than the Company and GLL) of Hong Leong Company (Malaysia) Berhad maintain share option schemes or plans which subsisted at the end of the year or at any time during the year, under which eligible directors of the Company may be granted share options for acquisition of shares of respective companies concerned. Mr Quek Leng Chan, being a director of the Company during the year, held shares acquired in pursuance of certain aforesaid share option schemes or plans.

Apart from the above, at no time during the year was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS**

As at 30 June 2005, other than the interests and short positions of the directors of the Company 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	224,458,295	1	68.21%
HL Holdings Sdn Bhd (“HLH”)	Interest of controlled corporations	224,458,295	2 & 3	68.21%
Hong Leong Investment Holdings Pte Ltd (“HLInv’t”)	Interest of controlled corporations	224,458,295	2 & 4	68.21%

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (Cont'd)

Shareholders	Capacity	Number of shares/ underlying shares (Long Position)	Notes	Approx. % of the issued share capital
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	224,458,295	2 & 5	68.21%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	224,458,295	2 & 6	68.21%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	224,458,295	2 & 7	68.21%
Arnhold and S. Bleichroeder Advisers, LLC	Investment Manager	16,483,000		5.01%

### Notes:

- Based on the additional information disclosed under the SFO subsequent to the year end date, these interests comprised 216,599,447 ordinary shares of the Company and 7,858,848 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
GuoInvest International Limited ("GuoInvest")	6,425,000
Asian Financial Common Wealth Limited ("AFCW")	1,020,000

GOL and GuoInvest were wholly owned by GuoLine Capital Assets Limited ("GCA"). AFCW was wholly owned by the Company which was in turn 65.52% owned by GOL. GOL was 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 in HLCM which was 49.11% owned by HLH (46.68%) and Mr Quek Leng Chan (2.43%).
- 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 2005, the Company had not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be 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.

## CORPORATE GOVERNANCE

### 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 which was applicable to the Company during the year, 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.

### Code on Corporate Governance Practices

On 25 February 2005, the Company adopted the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in the new Appendix 14 to the Listing Rules applicable to the accounting periods commencing on or after 1 January 2005. The CGP Code was adopted to take effect for accounting periods of the Company commencing on or after 1 July 2005.

### Model Code for Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code for the year.

### BOARD AUDIT COMMITTEE (the "BAC")

The BAC currently comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar and Volker Stoeckel, all being independent non-executive directors of the Company. The BAC oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal control.

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

The terms of reference of the BAC were revised to align with the provisions of the CGP Code with effect from 1 July 2005.

### REMUNERATION COMMITTEE (the "RC")

The RC has been established taking effect from 1 July 2005 with written terms of reference made pursuant to the relevant provisions of the CGP Code. The RC comprises Messrs Quek Leng Chan (Chairman), Harry Richard Wilkinson and Volker Stoeckel, two of whom are independent non-executive directors of the Company.

## 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”), 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, overseeing 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 Hong Leong Company (Malaysia) Berhad (“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 independent non-executive directors of the Company reviewed the transactions under the GOMC Services Agreement (the “GOMC Transactions”) during the year and confirmed that:

- (1) the GOMC Transactions were entered into:
  - (i) in the ordinary and usual course of business of the Company;
  - (ii) on terms no less favourable to the Company than the terms available from independent third parties; and
  - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
- (2) the aggregate amount of the GOMC Transactions was HK\$104,046,000 for the year ended 30 June 2005 and did not exceed 2.5% of the applicable percentage ratios under the Listing Rules.

On 31 August 2005, the Company and GOMC entered into a supplemental services agreement (the “Supplemental GOMC Services Agreement”) to amend and supplement the GOMC Services Agreement with effect from 1 July 2005. The Supplemental GOMC Services Agreement amended the duration of the GOMC Services Agreement to three years ending on 30 June 2008 and introduced an annual cap of HK\$224 million to the consideration under the agreement for each of the financial year ending 30 June 2008. In the event that the consideration payable by the Company under the GOMC Services Agreement as amended together with the total fees otherwise paid or payable to the Hong Leong group by any subsidiary of the Company in respect of similar services, if any, would exceed the aforesaid annual cap for any of the three years of its term, the Company will seek the approval of independent shareholders under the Listing Rules. Save for the said changes, there are no further substantial amendments to the GOMC Services Agreement.

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

## Services Agreements (Cont'd)

(b) *Services Agreement dated 6 June 2003*

On 6 June 2003, 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 overseeing GLL’s corporate strategies and planning and 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 is for a term of six months 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.

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 independent non-executive directors of the Company reviewed the transactions under the GLL Services Agreement (the “GLL Transactions”) during the year and confirmed that:

- (1) the GLL Transactions were entered into:
  - (i) in the ordinary and usual course of business of the Company;
  - (ii) on terms no less favourable to the Company than the terms available to independent third parties; and
  - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
- (2) the aggregate amount of the GLL Transactions was HK\$14,648,878 for the year ended 30 June 2005 and did not exceed 2.5% of the applicable percentage ratios under the Listing Rules.

On 31 August 2005, the Company and GLL entered into a supplemental services agreement (the “Supplemental GLL Services Agreement”) to amend and supplement the GLL Services Agreement with effect from 1 July 2005. The Supplemental GLL Services Agreement amends the duration of the GLL Services Agreement to three years ending on 30 June 2008 and introduced an annual cap of HK\$51 million to the consideration under the agreement for each of the financial year ending 30 June 2008. In the event that the consideration receivable by the Company under the GLL Services Agreement as amended would exceed the aforesaid annual cap for any of the three years of its term, the Company will seek the approval of independent shareholders under the Listing Rules. Save for the said changes, there are no further substantial amendments to the GLL Services Agreement.

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

### Sale and Purchase Agreements

#### (a) *Sale and Purchase Agreement dated 11 January 2005*

On 11 January 2005, Dao Heng Enterprises Limited (“DHE”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “Sale and Purchase Agreement”) with Allstate Health Benefits Sdn Bhd (“AHB”), a wholly-owned subsidiary of Hong Leong Assurance Berhad (“HLA”) for the disposal of the entire interest in Dao Heng Insurance Co., Limited (“DHI”), to AHB for a total sale consideration of approximately HK\$152.6 million in cash.

The purpose of the transaction is to pool together the relevant insurance business resources and expertise within the Hong Leong Credit Berhad (“HLCB”) group to create the synergy for the benefit of future business development of both DHI and HLA. DHI can tap on HLA’s expertise on a wider range of products and long-term business as a diversification strategy. As AHB is a wholly-owned subsidiary of HLA, the Company continues to have an indirect interest in DHI via its holding of 25.7% interests in HLCB which wholly owns HLA. The Group realised a net profit of approximately HK\$8.8 million from the transaction.

HLA is wholly-owned by HLCB which is owned as to 52.5% by Hong Leong Company (Malaysia) Berhad (“HLCM”) and its subsidiaries (excluding the Group) and 25.7% by the Group. HLCM is the ultimate holding company of the Company and HLCB. Mr Quek Leng Chan is deemed a major shareholder of the Company and HLCB, and is therefore deemed to be interested in the Sale and Purchase Agreement.

#### (b) *Securities Sale Agreement dated 12 January 2005*

On 12 January 2005, Brightspring Holdings Limited (“BSH”), a wholly-owned subsidiary of the Company, entered into a conditional securities sale agreement (the “Securities Sale Agreement”) with Hong Leong Industries Berhad (“HLI”), HLI Trading Limited (“HLIT”), Hong Leong Computer Services Sdn Bhd (“HLCom”) and FCC Equities Pte Ltd (“FCCE”) for the acquisition of 119,557,850 shares of Camerlin Group Berhad (“CGB”) and 89,566,967 irredeemable convertible unsecured loan stocks of CGB (“CGB ICULS”).

The aggregate purchase consideration was approximately RM236.6 million payable in cash upon completion of the Securities Sale Agreement. The purchase consideration was calculated based on RM1.20 per CGB share and RM1.04 per CGB ICULS.

The purpose of the transaction is to enable the Company to acquire substantial interests of approximately 40.0% in CGB shares and 72.3% of CGB ICULS respectively and to become the single largest shareholder of CGB. CGB had become an associated company of the Group after completion of the transaction.

Pursuant to The Malaysian Code on Take-overs and Mergers, BSH undertook a mandatory general offer (the “MGO”) to acquire the remaining shares, outstanding ICULS and warrants of CGB not held by the Group at the respective prices of RM1.20 per share, RM1.04 per ICULS and RM0.01 per warrant, upon fulfillment of all conditions precedents to the Securities Sale Agreement. The MGO did not constitute a notifiable transaction for the Company under the Listing Rules.

The HLI group (including its wholly-owned subsidiary, HLIT) is owned as to 60.2% by the HLCM group (excluding the Group). HLCom is an indirect wholly-owned subsidiary of HLCM. FCCE is a wholly-owned subsidiary of GLL which is a 62.4% owned subsidiary of the Company. Mr Quek Leng Chan together with his controlled corporations, and other directors of the Company including Messrs Kwek Leng Hai, Sat Pal Khattar and Volker Stoeckel in aggregate own more than 10% interests in GLL. HLCM is the ultimate holding company of Guoco, GLL and HLI. Mr Quek Leng Chan is deemed a major shareholder of Guoco, GLL, HLI and HLCM, and is therefore deemed to be interested in the Securities Sale Agreement.

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

## Share Option Plan

(a) *The Company's Share Option Plan*

The Company obtained shareholders' approval to adopt a share option plan ("Share Option Plan") on 16 December 2002 and a trust for the Share Option Plan (the "Trust") was established. The Share Option Plan allows the grant of options over existing issued shares of the Company ("Existing Shares") to eligible persons including connected persons (as defined under the Listing Rules) of the Company. The Trust will acquire Existing Shares for the purpose of satisfying the exercise of options to be granted pursuant to the Share Option Plan. The Company or its subsidiaries will make loans to the Trust (the "Grant of Loans") from time to time to enable the Trust to acquire Existing Shares.

The grant of options to connected persons (the "Grant of Options") pursuant to the Share Option Plan and the Grant of Loans to the Trust from time to time constitute ongoing connected transactions for the Company pursuant to Chapter 14 of the Listing Rules applying prior to 31 March 2004.

The independent non-executive directors of the Company reviewed the Grant of Options and the Grant of Loans during the year and confirmed that:

- (1) there was no Grant of Options under the Share Option Plan; and
- (2) the Grant of Loans:
  - (i) was entered into on the terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
  - (ii) the total amount of the Grant of Loans for the year ended 30 June 2005 was HK\$500 million which did not exceed HK\$837 million, the cap amount of 3% of the book value of the audited net tangible assets of the Group as at 30 June 2002.

(b) *GuocoLand Limited's Executives' Share Option Scheme*

The Company obtained shareholders' approval on 15 October 2004 to modify the Executives' Share Option Scheme (the "ESOS") of GuocoLand Limited ("GLL") to provide for the satisfaction of the exercise of options through issue of new GLL shares or transfer of existing GLL shares. A trust for the ESOS (the "ESOS Trust") was also established in October 2004 pursuant to a trust deed (the "Trust Deed") between GLL and a trustee of the Trust (the "Trustee" which is a trust company unrelated to GLL) to acquire existing GLL shares for the purpose of the ESOS. GLL or its subsidiaries ("GLL Group") will make loans to the Trust from time to time to enable the ESOS Trust to acquire the existing GLL shares for the purpose of the Trust.

The grant of options to the directors of GLL Group (who are deemed to be connected persons of the Company under the Listing Rules) pursuant to the ESOS and the grant of loans to the ESOS Trust from time to time constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.



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

#### Share Option Plan (Cont'd)

##### (b) *GuocoLand Limited's Executives' Share Option Scheme (Cont'd)*

The independent non-executive directors of the Company reviewed the Grant of Options and the Grant of Loans during the year and confirmed that:

- (1) GLL granted 18,500,000 options on existing GLL shares to directors of GLL Group, being connected persons of the Company under the Listing Rules;
- (2) GLL granted loans amounting to S\$20,440,000 (approximately HK\$94,306,000) to the ESOS Trust for the year ended 30 June 2005. The amount of loans did not exceed the maximum subsisting amount of HK\$926,000,000 or its equivalent amount in other currencies which was less than 2.5% of the value of the total assets based on the published audited accounts of the Company for the year ended 30 June 2004;

(collectively, the "Continuing Connected Transactions")

- (3) the Continuing Connected Transactions were entered into:
  - in the ordinary and usual course of business of the Company;
  - on normal commercial terms; and
  - in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

#### 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 Hong Leong Company (Malaysia) Berhad ("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, distribution 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 paragraph 8.10 of the Listing Rules.

## 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.

## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company maintained the sufficient public float at all times during the year.

## 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, 16 September 2005



## TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 43 to 97 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 2005 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, 16 September 2005

# CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2005  
(Expressed in United States dollars)

	Note	2005 US\$'000	2004 US\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	3	1,903,042	1,533,705	14,790,442	11,962,900
Cost of sales		(1,603,612)	(1,307,105)	(12,463,272)	(10,195,419)
Other attributable costs		(18,145)	(19,139)	(141,023)	(149,284)
		281,285	207,461	2,186,147	1,618,197
Other revenue	4 (a)	3,405	3,305	26,464	25,779
Other net income	4 (b)	90,551	52,536	703,762	409,781
Administrative and other operating expenses		(6,299)	(27,803)	(48,956)	(216,863)
Operating profit before finance cost		368,942	235,499	2,867,417	1,836,894
Finance cost	6	(8,841)	(3,901)	(68,712)	(30,428)
Operating profit	13	360,101	231,598	2,798,705	1,806,466
(Impairment loss)/provision write back on properties		(1,408)	10,687	(10,943)	83,359
Impairment loss on investment securities		—	(23,879)	—	(186,256)
Reversal of revaluation deficit of investment properties		10,355	13,074	80,479	101,977
Profit on disposal of a subsidiary		1,133	10,973	8,806	85,589
Profit on disposal of an associate		—	37,579	—	293,116
Provision write back on amount due from a jointly controlled entity		14,897	1,100	115,778	8,580
Net profit on disposal of investment properties		13,662	1,090	106,181	8,502
Operating profit from ordinary activities		398,740	282,222	3,099,006	2,201,333
Share of profits less losses of associates	5	68,792	47,645	534,652	371,631
Share of profits of a jointly controlled entity	5	7,644	—	59,410	—
Profit from ordinary activities before taxation	5	475,176	329,867	3,693,068	2,572,964
Taxation	7 (a)	(31,722)	2,364	(246,543)	18,439
Profit after taxation		443,454	332,231	3,446,525	2,591,403
Minority interests		(27,786)	(19,426)	(215,953)	(151,522)
Profit attributable to shareholders	10	415,668	312,805	3,230,572	2,439,881
Appropriations:					
Final dividend paid	11	(109,836)	(29,679)	(853,908)	(230,294)
Interim dividend paid	11	(33,753)	(16,891)	(263,241)	(131,621)
Retained profit for the year		272,079	266,235	2,113,423	2,077,966

# CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2005  
(Expressed in United States dollars)

	Note	2005 US\$'000	2004 US\$'000	2005 HK\$'000	2004 HK\$'000
Retained in:					
The Company and its subsidiaries		207,452	225,697	1,611,141	1,761,770
Associates		56,983	40,538	442,872	316,196
Jointly controlled entities		7,644	—	59,410	—
		<u>272,079</u>	<u>266,235</u>	<u>2,113,423</u>	<u>2,077,966</u>
		US\$	US\$	HK\$	HK\$
Earnings per share					
Basic	12	<u>1.26</u>	<u>0.95</u>	<u>9.82</u>	<u>7.43</u>
Diluted	12	<u>1.26</u>	<u>0.95</u>	<u>9.82</u>	<u>7.42</u>
		US\$'000	US\$'000	HK\$'000	HK\$'000
Proposed final dividend	11	<u>127,014</u>	<u>109,684</u>	<u>987,154</u>	<u>855,534</u>

The notes on pages 51 to 97 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

as at 30 June 2005  
(Expressed in United States dollars)

	Note	2005 US\$'000	2004 US\$'000	2005 HK\$'000	2004 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets	14	230,092	246,175	1,788,275	1,920,165
Interest in associates	16	553,422	269,445	4,301,196	2,101,671
Interest in jointly controlled entities	17	12,651	(32)	98,324	(250)
Other non-current financial assets	19	70,184	76,504	545,470	596,731
Deferred tax assets	29	1,207	1,125	9,381	8,775
Goodwill	20	(7,868)	(14,707)	(61,150)	(114,715)
		<u>859,688</u>	<u>578,510</u>	<u>6,681,496</u>	<u>4,512,377</u>
<b>CURRENT ASSETS</b>					
Development properties	21	411,933	443,099	3,201,543	3,456,172
Properties held for sale	22	149,039	59,366	1,158,331	463,055
Other assets	23	131,172	237,479	1,019,469	1,852,336
Other investments in securities	24	606,569	643,349	4,714,254	5,018,122
Cash and short term funds	25	3,032,611	2,896,654	23,569,453	22,593,901
		<u>4,331,324</u>	<u>4,279,947</u>	<u>33,663,050</u>	<u>33,383,586</u>
<b>CURRENT LIABILITIES</b>					
Other payables and provisions	26	125,176	83,300	972,868	649,740
Current portion of bank loans and other borrowings	27	148,120	285,003	1,151,189	2,223,023
Insurance funds		—	3,741	—	29,180
Taxation	7(c)	31,610	17,114	245,673	133,489
		<u>304,906</u>	<u>389,158</u>	<u>2,369,730</u>	<u>3,035,432</u>
<b>NET CURRENT ASSETS</b>					
		<u>4,026,418</u>	<u>3,890,789</u>	<u>31,293,320</u>	<u>30,348,154</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>4,886,106</u>	<u>4,469,299</u>	<u>37,974,816</u>	<u>34,860,531</u>
<b>NON-CURRENT LIABILITIES</b>					
Non-current portion of bank loans and other borrowings	28	344,639	284,938	2,678,534	2,222,516
Deferred tax liabilities	29	5,737	6,795	44,588	53,001
Irredeemable convertible unsecured loan stocks	30	8,138	—	63,249	—
		<u>358,514</u>	<u>291,733</u>	<u>2,786,371</u>	<u>2,275,517</u>
<b>MINORITY INTERESTS</b>					
		<u>331,574</u>	<u>243,961</u>	<u>2,576,994</u>	<u>1,902,895</u>
<b>NET ASSETS</b>					
		<u>4,196,018</u>	<u>3,933,605</u>	<u>32,611,451</u>	<u>30,682,119</u>

## CONSOLIDATED BALANCE SHEET

as at 30 June 2005  
(Expressed in United States dollars)

	Note	2005 US\$'000	2004 US\$'000	2005 HK\$'000	2004 HK\$'000
<b>CAPITAL AND RESERVES</b>					
Share capital	32	164,526	164,526	1,278,696	1,283,303
Reserves	33	4,031,492	3,769,079	31,332,755	29,398,816
		<u>4,196,018</u>	<u>3,933,605</u>	<u>32,611,451</u>	<u>30,682,119</u>

Approved and authorised for issue by the Board of Directors on 16 September 2005

Kwek Leng Hai  
James Eng, Jr.

*Directors*

The notes on pages 51 to 97 form part of these financial statements.

# BALANCE SHEET

as at 30 June 2005  
(Expressed in United States dollars)

	Note	2005 US\$'000	2004 US\$'000	2005 HK\$'000	2004 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Interest in subsidiaries	15	1,000,831	982,080	7,778,459	7,660,224
Other non-current financial assets	19	203	203	1,578	1,583
		<u>1,001,034</u>	<u>982,283</u>	<u>7,780,037</u>	<u>7,661,807</u>
<b>CURRENT ASSETS</b>					
Other assets	23	7,124	2,429	55,367	18,946
Cash and short term funds	25	2,690,961	2,698,926	20,914,149	21,051,623
		<u>2,698,085</u>	<u>2,701,355</u>	<u>20,969,516</u>	<u>21,070,569</u>
<b>CURRENT LIABILITIES</b>					
Amounts due to subsidiaries		284,902	299,148	2,214,258	2,333,354
Other payables and provisions	26	15,122	11,263	117,529	87,851
Taxation	7(c)	—	27	—	211
		<u>300,024</u>	<u>310,438</u>	<u>2,331,787</u>	<u>2,421,416</u>
<b>NET CURRENT ASSETS</b>		<u>2,398,061</u>	<u>2,390,917</u>	<u>18,637,729</u>	<u>18,649,153</u>
<b>NET ASSETS</b>		<u>3,399,095</u>	<u>3,373,200</u>	<u>26,417,766</u>	<u>26,310,960</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	32	164,526	164,526	1,278,696	1,283,303
Reserves	33	3,234,569	3,208,674	25,139,070	25,027,657
		<u>3,399,095</u>	<u>3,373,200</u>	<u>26,417,766</u>	<u>26,310,960</u>

Approved and authorised for issue by the Board of Directors on 16 September 2005

Kwek Leng Hai  
James Eng, Jr.

Directors

The notes on pages 51 to 97 form part of these financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2005  
(Expressed in United States dollars)

	2005 US\$'000	2004 US\$'000	2005 HK\$'000	2004 HK\$'000
Shareholders' equity at 1 July	3,933,605	3,702,501	30,682,119	28,872,108
Exchange adjustments	—	—	(108,967)	6,069
	<u>3,933,605</u>	<u>3,702,501</u>	<u>30,573,152</u>	<u>28,878,177</u>
Share of subsidiaries' and associates' capital reserves movement	(5,751)	(29,892)	(44,697)	(233,158)
Contributed surplus realised on disposal of a subsidiary	(30)	—	(233)	—
Shares repurchased and cancelled by a subsidiary	(3,441)	—	(26,743)	—
Purchase of own shares for Share Option Plan	(10,132)	—	(78,746)	—
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	9,688	(10,057)	75,295	(78,446)
Net losses not recognised in the consolidated income statement	<u>(9,666)</u>	<u>(39,949)</u>	<u>(75,124)</u>	<u>(311,604)</u>
Profit attributable to shareholders	<u>415,668</u>	<u>312,805</u>	<u>3,230,572</u>	<u>2,439,881</u>
Dividend paid	<u>(143,589)</u>	<u>(46,570)</u>	<u>(1,117,149)</u>	<u>(361,915)</u>
Shares issued under executive share option scheme	<u>—</u>	<u>4,818</u>	<u>—</u>	<u>37,580</u>
Shareholders' equity at 30 June	<u><u>4,196,018</u></u>	<u><u>3,933,605</u></u>	<u><u>32,611,451</u></u>	<u><u>30,682,119</u></u>

The notes on pages 51 to 97 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2005  
(Expressed in United States dollars)

	Note	2005 US\$'000	2004 US\$'000
<b>Operating activities</b>			
Operating profit from ordinary activities		475,176	329,867
Adjustments for:			
- Finance cost		8,841	3,901
- Interest income		(68,376)	(40,630)
- Dividend income		(33,378)	(17,084)
- Depreciation		1,569	2,359
- Amortisation of negative goodwill		(8,899)	(6,517)
- Recognition of negative goodwill		(28,251)	—
- Reversal of revaluation deficit of investment properties		(10,355)	(13,074)
- Impairment loss/(provision write back) on properties		1,408	(10,687)
- Provision write back on amount due from a jointly controlled entity		(14,897)	(1,100)
- Profit on disposal of a subsidiary		(1,133)	(10,973)
- Profit on disposal of an associate		—	(37,579)
- Net profit on disposal of investment properties		(13,662)	(1,090)
- Impairment loss on investment securities		—	23,879
- Share of profits less losses of associates		(68,792)	(47,645)
- Share of profits of a jointly controlled entity		(7,644)	—
- Net (profits)/losses on disposal of fixed assets		(59)	69
<b>Operating profit before changes in working capital</b>		<b>231,548</b>	<b>173,696</b>
Decrease in other assets		117,640	20,740
Increase in other investment in securities		(3,848)	(308,220)
Decrease in development properties		76,430	105,173
(Increase)/decrease in properties held for sale		(88,403)	3,029
Increase in other payables and provisions		44,056	25,547
Increase in insurance funds		465	135
<b>Cash generated from operations</b>		<b>377,888</b>	<b>20,100</b>
Interest received		63,852	40,337
Dividend received on equity investment		28,664	17,084
Tax paid			
- Hong Kong Profits Tax paid		(501)	(486)
- Overseas tax paid		(4,328)	(7,128)
<b>Net cash from operating activities</b>		<b>465,575</b>	<b>69,907</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2005  
(Expressed in United States dollars)

	Note	2005 US\$'000	2004 US\$'000
<b>Investing activities</b>			
Purchase of interest in associates		(9,664)	(5,087)
Purchase of investment securities		(517)	(9,543)
Purchase of irredeemable convertible unsecured loan stocks		(18,366)	—
Cash acquired from purchase of subsidiaries, net of payment made	34(b)	(64,366)	—
Net repayment from associates		2,797	4,229
Net repayment from/(advance to) jointly controlled entities		9,791	(3,195)
Purchase of fixed assets		(765)	(1,519)
Proceeds from sale of investment securities		121	—
Proceeds from disposal of fixed assets		111	123
Proceeds from disposal of investment properties		39,420	3,580
Proceeds from disposal of interest in subsidiaries	34(d)	6,471	8,768
Dividends received from associates		13,829	10,844
<b>Net cash (used in)/from investing activities</b>		<b>(21,138)</b>	<b>8,200</b>
<b>Financing activities</b>			
New issue of ordinary shares		—	4,818
Share buy back by a subsidiary		(6,538)	—
Purchase of ordinary shares for Executives' Share Option Scheme by a subsidiary		(11,784)	—
Purchase of own shares for Share Option Plan		(10,132)	—
(Repayment to)/contribution from minority shareholders		(4,138)	303
Repayment of bank loans		(107,999)	(75,617)
Drawing of other borrowings		75	32,014
Interest paid		(16,259)	(16,851)
Dividends paid to minority shareholders		(9,427)	(8,314)
Dividends paid		(143,589)	(46,570)
<b>Net cash used in financing activities</b>		<b>(309,791)</b>	<b>(110,217)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>134,646</b>	<b>(32,110)</b>
Cash and cash equivalents at 1 July	25	2,896,654	2,932,952
Effect of foreign exchanges rates		1,311	(4,188)
<b>Cash and cash equivalents at 30 June</b>	<b>25</b>	<b>3,032,611</b>	<b>2,896,654</b>

The notes on pages 51 to 97 form part of these financial statements.

## 1 BASIS OF PRESENTATION

### (a) Statement of compliance

Although not required to do so under the Bye-Laws of the Company, the financial statements of the Company and the Group are prepared so as to comply with the disclosure requirements of the Hong Kong Companies Ordinance, generally accepted accounting principles in Hong Kong and all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively known as the “new HKFRSs”) which are effective for accounting period beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs. However, HKFRS 3 (“Business Combinations”), HKAS 36 (“Impairment of Assets”) and HKAS 38 (“Intangible Assets”) (collectively known as “the HKFRS 3 package”) are effective for business combinations with the agreement dates on or after 1 January 2005. Accordingly, the Group has complied with the requirements of the HKFRS 3 package for the business combinations with the agreement dates on or after 1 January 2005. 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 the rate applicable.

#### (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.

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 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 year in which the amount is determined, which is generally the year 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.

## 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

#### (i) For business combinations with the agreement dates before 1 January 2005:

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.

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 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.

- (ii) For business combinations with the agreement dates on or after 1 January 2005:

The Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds its recoverable amount. If the fair value of the net assets acquired in a business combination exceeds the consideration paid, the excess is recognized immediately in the income statement as it arises.

### (d) Fixed assets and depreciation

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

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

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

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

### (e) Investment properties

Investment properties with an unexpired lease 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (f) Properties held for sale

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

### (g) Development properties

Development properties are stated at cost less any provisions for impairment in value (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);
- investment in subsidiaries, associates and jointly controlled entities; and
- goodwill

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

#### (i) Calculation of recoverable amount

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

#### (ii) Reversals of impairment losses

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

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

### (i) Leased assets

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

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



## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (i) Leased assets (Cont'd)

##### (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 and 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.

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (l) Income tax (Cont'd)

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.

### (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.

## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (p) Borrowing costs

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

#### (q) Provisions and contingent liabilities

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

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

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

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

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

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

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

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

#### (s) Related parties

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (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 and investment management	:	Conduct treasury and investment management activities
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

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 3 TURNOVER

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 treasury and investment management, property development and investment, stock and commodities broking and investment advisory (Note 15).

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

	The Group	
	2005	2004
	\$'000	\$'000
Proceeds from sale of investments in securities	1,533,760	1,281,020
Proceeds from sale of properties	240,400	164,519
Interest income	67,707	40,084
Dividend income	33,378	17,084
Gross insurance premiums	10,805	13,294
Rental income from properties	11,424	9,882
Security commission and brokerage	5,197	7,262
Other income	371	560
	<u>1,903,042</u>	<u>1,533,705</u>

## 4 OTHER REVENUE AND NET INCOME

### (a) Other revenue

	The Group	
	2005	2004
	\$'000	\$'000
Interest income from listed securities	669	549
Interest income from unlisted securities	—	2
Others	2,736	2,754
	<u>3,405</u>	<u>3,305</u>

### (b) Other net income

	The Group	
	2005	2004
	\$'000	\$'000
Net realised and unrealised gains on other investments	39,242	22,374
Net exchange gains	49,168	34,102
Net profits/(losses) on disposal of fixed assets	59	(69)
Others	2,082	(3,871)
	<u>90,551</u>	<u>52,536</u>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at

	The Group	
	2005	2004
	\$'000	\$'000
<i>after charging:</i>		
Staff costs (including retirement scheme contributions of \$906,000 (2004: \$1,062,000))	19,552	19,973
Depreciation	1,569	2,359
Operating lease charges		
- properties	873	1,269
- others	6	8
Amortisation of goodwill included in share of profits less losses of associates	1,724	1,531
Auditors' remuneration	385	300
Donations	162	73
	<u>          </u>	<u>          </u>
<i>and crediting:</i>		
Recognition of negative goodwill (Notes 18, 20, 34(a))	28,251	—
Amortisation of negative goodwill included in share of profits less losses of associates	13,222	1,075
Amortisation of negative goodwill	8,899	6,517
(Impairment loss)/provision write back on properties	(1,408)	10,687
	<u>          </u>	<u>          </u>
Gross rental income from investment properties	7,544	9,882
Less: direct outgoings	(2,058)	(1,614)
	<u>          </u>	<u>          </u>
Net rental income	5,486	8,268
	<u>          </u>	<u>          </u>
Share of profits less losses of associates:		
- listed	59,776	46,357
- unlisted	9,016	1,288
	<u>          </u>	<u>          </u>
	68,792	47,645
	<u>          </u>	<u>          </u>
Share of profits of a jointly controlled entity:		
- unlisted	7,644	—
	<u>          </u>	<u>          </u>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 6 FINANCE COST

	The Group	
	2005	2004
	\$'000	\$'000
Interest on bank advances and other borrowings repayable within five years	14,475	16,262
Other borrowing costs	1,286	523
	<hr/>	<hr/>
Total borrowing costs	15,761	16,785
Less: borrowing costs capitalised into development properties (Note)	(6,920)	(12,884)
	<hr/>	<hr/>
	8,841	3,901
	<hr/>	<hr/>

Note: The borrowing costs have been capitalised at rates of 1.989% to 3.565% per annum (2004: 1.786% to 6.125%).

## 7 TAXATION

(a) Taxation in the consolidated income statement represents:

	The Group	
	2005	2004
	\$'000	\$'000
<b>Current tax - Provision for Hong Kong Profits Tax</b>		
Tax for the year	5,130	2,990
Overprovision in respect of prior years	(3)	(9,961)
	<hr/>	<hr/>
	5,127	(6,971)
	<hr/>	<hr/>
<b>Current tax - Overseas</b>		
Tax for the year	16,647	755
Overprovision in respect of prior years	(744)	(848)
	<hr/>	<hr/>
	15,903	(93)
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,117)	(1,988)
Recognition of deferred tax asset in relation to tax losses	—	(384)
Overprovision in respect of prior years	—	(35)
	<hr/>	<hr/>
	(1,117)	(2,407)
	<hr/>	<hr/>
Share of associates' taxation	11,809	7,107
	<hr/>	<hr/>
	31,722	(2,364)
	<hr/>	<hr/>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year ended 30 June 2005. 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 2005  
(Expressed in United States dollars)

## 7 TAXATION (Cont'd)

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

	2005		2004	
	\$'000	%	\$'000	%
Profit before tax	475,176		329,867	
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	94,838	20.0	65,139	19.7
Deferred tax benefit not recognised	—	—	1,479	0.4
Tax effect of non-deductible expenses	6,713	1.4	14,863	4.5
Tax effect of non-taxable revenue	(67,160)	(14.1)	(57,470)	(17.4)
Tax effect of unused tax losses not recognised	2,530	0.5	2,124	0.6
Tax effect of utilisation of tax losses not previously recognised	(3,678)	(0.8)	(2,786)	(0.8)
Reversal of temporary differences not accounted for in previous years	(610)	(0.1)	(8,840)	(2.7)
Effect on opening deferred tax balances resulting from the changes of tax rate during the year	—	—	(384)	(0.1)
Overprovision in prior years	(747)	(0.2)	(10,844)	(3.3)
Overprovision in prior years - associates	(230)	—	(5,418)	(1.6)
Others	66	—	(227)	—
Actual taxation	31,722	6.7	(2,364)	(0.7)

### (c) Taxation in the balance sheet represents:

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Hong Kong Profits Tax	7,709	3,205	—	27
Overseas taxation	23,901	13,909	—	—
Taxation payable	31,610	17,114	—	27
Amount of taxation payable expected to be settled after more than 1 year	8,375	480	—	—



# NOTES ON THE FINANCIAL STATEMENTS

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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	
	2005	2004
	\$'000	\$'000
Fees	305	250
Salaries, allowances and benefits in kind	1,691	1,794
Discretionary bonuses	3,924	1,641
Pension contributions	72	71
	<u>5,992</u>	<u>3,756</u>

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

	The Group	
	2005	2004
	\$'000	\$'000
Fees	127	83
Salaries, allowances and benefits in kind	—	40
	<u>127</u>	<u>123</u>

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

	The Group	
\$	2005	2004
	Number of directors	Number of directors
0 - 150,000	4	7
200,001 - 250,000	1	1
450,001 - 500,000	1	1
650,001 - 700,000	—	1
700,001 - 750,000	1	—
2,200,001 - 2,250,000	—	1
4,400,001 - 4,450,000	1	—
	<u>8</u>	<u>11</u>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
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## 8 DIRECTORS' REMUNERATION (Cont'd)

Directors' emoluments comprises payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director of the Company for the year ended June 2005 are as below:

Name	Notes	The Group				2005	2004
		Fees	Salaries, allowances and benefits	Discretionary	Pension	Total	Total
		\$'000	in kind \$'000	bonuses \$'000	contributions \$'000	emoluments \$'000	emoluments \$'000
Quek Leng Chan		47	154	—	—	201	234
Kwek Leng Hai		53	683	3,654	48	4,438	2,206
Sat Pal Khatter**		60	—	—	—	60	89
Kwek Leng San*		26	—	—	—	26	19
Tan Lim Heng		26	379	64	22	491	486
James Eng, Jr.		26	475	206	2	709	666
Harry Richard Wilkinson**		39	—	—	—	39	24
Volker Stoeckel**		28	—	—	—	28	2
Jamal Al-Babtain*	1	—	—	—	—	—	16
Tung Hsi Hui, Frank**	2	—	—	—	—	—	7
Peter Anthony Wakefield*	3	—	—	—	—	—	7
		<u>305</u>	<u>1,691</u>	<u>3,924</u>	<u>72</u>	<u>5,992</u>	<u>3,756</u>

Notes:

1. Resigned with effect from 7 May 2004
  2. Resigned with effect from 14 November 2003
  3. Resigned with effect from 12 November 2003
- \* Non-executive director
- \*\* Independent non-executive director

## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
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### 9 EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, three (2004: three) are directors whose remuneration is disclosed in Note 8. The remuneration of the other two (2004: two) individuals is as follows:

	The Group	
	2005	2004
	\$'000	\$'000
Salaries, allowances and benefits in kind	757	760
Discretionary bonuses	337	312
Pension contributions	29	50
	<u>1,123</u>	<u>1,122</u>

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

	The Group	
	2005	2004
\$	Number of individuals	Number of individuals
250,001 - 300,000	—	—
350,001 - 400,000	—	1
400,001 - 450,000	1	—
700,001 - 750,000	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 \$166,117,000 (2004: \$66,325,000) which has been dealt with in the financial statements of the Company.

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
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## 11 DIVIDENDS

	The Group and the Company	
	2005	2004
	\$'000	\$'000
2004: Final dividend paid of HK\$2.60 per share (2003: HK\$0.70 per share)	109,836	29,679
2005: Interim dividend paid of HK\$0.80 per share (2004: HK\$0.40 per share)	33,753	16,891
	<u>143,589</u>	<u>46,570</u>
2005: Proposed final dividend of HK\$3.00 per share (2004: HK\$2.60 per share)	<u>127,014</u>	<u>109,684</u>

The proposed final dividend for the year ended 30 June 2005 of \$127,014,000 (2004: \$109,684,000) is calculated based on 329,051,373 ordinary shares (2004: 329,051,373 ordinary shares) in issue as at 30 June 2005.

## 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 \$415,668,000 (2004: \$312,805,000) and the weighted average number of 328,923,149 ordinary shares (2004: 328,365,198 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 \$415,552,000 (2004: \$312,781,000) and the weighted average number of 328,923,149 ordinary shares (2004: 328,808,118 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

### (c) Reconciliations

	2005	2004
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	328,923,149	328,365,198
Deemed issue of ordinary shares under executive share option scheme	<u>—</u>	<u>442,920</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>328,923,149</u>	<u>328,808,118</u>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 13 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 2005

	Treasury and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Inter-segment elimination \$'000	Total \$'000
Turnover	1,633,319	240,400	12,034	6,267	11,022	—	1,903,042
Inter-segment turnover	19,063	—	491	204	17	(19,775)	—
	<u>1,652,382</u>	<u>240,400</u>	<u>12,525</u>	<u>6,471</u>	<u>11,039</u>	<u>(19,775)</u>	<u>1,903,042</u>
Contribution from operations	299,640	42,216	5,118	910	275	—	348,159
Unallocated income							35,560
Unallocated expenses							(14,777)
Operating profit before finance cost							368,942
Finance cost							(8,841)
Operating profit							360,101
Impairment loss on properties	—	(1,408)	—	—	—	—	(1,408)
Reversal of revaluation deficit of investment properties	—	—	10,355	—	—	—	10,355
Profit on disposal of a subsidiary							1,133
Provision write back on amount due from a jointly controlled entity	—	14,897	—	—	—	—	14,897
Net profit on disposal of investment properties	—	—	13,662	—	—	—	13,662
Operating profit from ordinary activities							398,740
Share of profits less losses of associates	47,886	20,906	—	—	—	—	68,792
Share of profits of a jointly controlled entity	—	7,644	—	—	—	—	7,644
Profit from ordinary activities before taxation							475,176
Taxation							(31,722)
Profit after taxation							443,454
Minority interests							(27,786)
Profit attributable to shareholders							<u>415,668</u>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 13 SEGMENT INFORMATION (Cont'd)

### Business Segments (Cont'd)

Revenue and Expenses (Cont'd)

For the year ended 30 June 2004

	Treasury 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
Provision write back on properties	—	10,687	—	—	—	—	10,687
Impairment loss on investment securities	(23,879)	—	—	—	—	—	(23,879)
Reversal of revaluation deficit of investment properties	—	—	13,074	—	—	—	13,074
Profit on disposal of a subsidiary							10,973
Profit on disposal of an associate							37,579
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>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
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## 13 SEGMENT INFORMATION (Cont'd)

### Business Segments (Cont'd)

#### Assets and liabilities

	Treasury and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	(Note) Insurance \$'000	Total \$'000
<i>As at 30 June 2005</i>						
Segment assets	3,551,923	734,259	261,369	24,391	—	4,571,942
Interest in associates	466,972	86,450	—	—	—	553,422
Interest in jointly controlled entities	—	12,651	—	—	—	12,651
Unallocated assets						52,997
Total assets						5,191,012
Segment liabilities	32,145	363,342	5,148	9,001	—	409,636
Unallocated liabilities						253,784
Total liabilities						663,420
<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	72,139	—	—	—	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

Note: The Group has disposed of the entire interest in Dao Heng Insurance Co., Limited during the year (Note 39(c)(i)).

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
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## 13 SEGMENT INFORMATION (Cont'd)

### Business Segments (Cont'd)

#### Other information

	Treasury and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Total \$'000
<b>2005</b>						
Capital expenditure incurred during the year	304	288	—	82	91	765
Depreciation and amortisation for the year	(6,233)	(13,010)	—	177	238	(18,828)
<b>2004</b>						
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)

### Geographical Segments

	Turnover		Operating profit	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Hong Kong	1,644,942	1,357,606	267,450	190,387
Singapore	120,940	160,402	32,407	25,166
The People's Republic of China ("PRC")	136,845	13,998	40,660	9,763
Asia (excluding Hong Kong, Singapore and PRC)	309	439	19,584	4,186
Others	6	1,260	—	2,096
	<u>1,903,042</u>	<u>1,533,705</u>	<u>360,101</u>	<u>231,598</u>

	Segment assets		Capital expenditure	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Hong Kong	3,489,957	3,528,498	229	948
Singapore	662,384	668,226	326	455
The People's Republic of China ("PRC")	224,595	148,831	210	116
Asia (excluding Hong Kong, Singapore and PRC)	814,076	318,230	—	—
Others	—	194,672	—	—
	<u>5,191,012</u>	<u>4,858,457</u>	<u>765</u>	<u>1,519</u>



# NOTES ON THE FINANCIAL STATEMENTS

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## 14 FIXED ASSETS

	The Group			
	Investment properties \$'000	Leasehold premises \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
<b>Cost or valuation:</b>				
As at 1 July 2004	229,909	24,093	9,730	263,732
Additions	—	6	759	765
Disposals	(25,602)	(5,508)	(3,697)	(34,807)
Surplus on revaluation	10,355	—	—	10,355
Exchange adjustments	4,018	28	85	4,131
As at 30 June 2005	218,680	18,619	6,877	244,176
<b>Representing:</b>				
Cost	—	18,619	6,877	25,496
Valuation - 30 June 2005	218,680	—	—	218,680
	218,680	18,619	6,877	244,176
<b>Accumulated depreciation:</b>				
As at 1 July 2004	—	10,252	7,305	17,557
Charge for the year	—	439	1,130	1,569
Written back on disposal	—	(2,001)	(3,116)	(5,117)
Exchange adjustments	—	15	60	75
As at 30 June 2005	—	8,705	5,379	14,084
<b>Net book value:</b>				
As at 30 June 2005	218,680	9,914	1,498	230,092
As at 30 June 2004	229,909	13,841	2,425	246,175

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

	The Group	
	2005 \$'000	2004 \$'000
In Hong Kong:		
- Leasehold with over 50 years unexpired	16,733	18,385
- Leasehold with between 10 to 50 years unexpired	29,009	46,163
- Leasehold with less than 10 years unexpired	10	190
Outside Hong Kong:		
- Leasehold with over 50 years unexpired	182,842	179,012
	228,594	243,750

# NOTES ON THE FINANCIAL STATEMENTS

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## 14 FIXED ASSETS (Cont'd)

- (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 2005 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 2005 by Mr. Terry Chui, an officer employed by the Group, who is an associate member of the Hong Kong Institute of Surveyors.
- (c) Certain of the Group's investment properties with a book value of \$74 million (2004:\$71 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 \$218,680,000 (2004: \$229,909,000).

## 15 INTEREST IN SUBSIDIARIES

	The Company	
	2005	2004
	\$'000	\$'000
Unlisted shares	22,502	22,502
Amounts due from subsidiaries	978,329	959,578
	<u>1,000,831</u>	<u>982,080</u>

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the 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	100	Investment holding
Dao Heng Securities Limited	120,000 shares of HK\$100 each	—	100	Stockbroking and securities trading
Guoco Management Company Limited	2 shares of HK\$1 each	100	100	Provision of general management services
Guoco Investments (China) Limited	10,000,000 shares of HK\$1 each	100	100	Investment holding
Guo Xiang Property Co., Limited	10,000 shares of HK\$1 each	—	62	Investment holding and agency services

## NOTES ON THE FINANCIAL STATEMENTS

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### 15 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Alphington Pte. Ltd.	1 share of S\$1 each	—	62	Investment holding
A-Z Holdings Pte Ltd	27,000,000 shares of S\$1 each	—	62	Investment holding and property investment
Branmil Holdings Pte Ltd	2 shares of S\$1 each	—	62	Investment holding
Century Square Development Ltd	97,060,000 shares of S\$1 each	—	62	Property investment
Chelford Pte Ltd	2 shares of S\$1 each	—	62	Investment holding
Cheltenham Investments Pte Ltd	500,000 shares of S\$1 each	—	62	Investment holding
Chiltern Park Development Pte Ltd	28,300,000 shares of S\$1 each	—	62	Property development
Da Zhong Investment Pte Ltd	4,000,000 shares of S\$1 each	—	62	Investment holding
Elias Development Pte Ltd	7,500,000 shares of S\$1 each	—	62	Property development
Everian Holdings Pte Ltd	32,000,000 shares of S\$1 each	—	62	Property development
Fasidon Holdings Pte Ltd	77,112,700 shares of S\$1 each	—	62	Property development
FCC Equities Pte Ltd	4,500,000 shares of S\$1 each	—	62	Investment holding and trading
FCC Holdings Pte Ltd	2 shares of S\$1 each	—	62	Investment holding
FCC Net Pte Ltd	2 shares of S\$1 each	—	62	Investment holding
Fica Nominees Pte Ltd	2 shares of S\$1 each	—	62	Investment holding and provision of nominee services
First Bedok Land Pte Ltd	101,000,000 shares of S\$1 each	—	62	Property development
First Bukit Panjang Land Pte Ltd	71,190,000 shares of S\$1 each	—	62	Property development
First Capital Asia Land Pte Ltd	88,000,000 shares of S\$1 each	—	62	Property Investment

# NOTES ON THE FINANCIAL STATEMENTS

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## 15 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
First Capital Asia Pte Ltd	19,000,000 shares of S\$1 each	—	62	Investment holding
First Capital Assets Pte Ltd	15,000,000 shares of S\$1 each	—	62	Investment holding
First Capital Corporation Realty Pte. Ltd.	2 shares of S\$1 each	—	62	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S\$1 each	—	62	Property investment
First Capital Holdings (HK) Pte Ltd	4,500,000 shares of S\$1 each	—	62	Investment holding
First Capital Holdings Pte Ltd	2 shares of S\$1 each	—	62	Investment holding and trading
First Capital Hotels Pte Ltd	2 shares of S\$1 each	—	62	Investment holding
First Capital Properties Pte Ltd	10,000,000 shares of S\$1 each	—	62	Property investment
First Capital Realty Pte Ltd	30,000,000 shares of S\$1 each	—	62	Property development
First Cavendish Development Pte Ltd	23,400,000 shares of S\$1 each	—	62	Property development
First Changi Development Pte Ltd	44,446,750 shares of S\$1 each	—	56	Property development
First Coventry Development Pte Ltd	17,830,000 shares of S\$1 each	—	62	Property development
First Garden Development Pte Ltd	80,000,000 shares of S\$1 each	—	56	Property development
First Mayer Development Pte Ltd	118,930,000 shares of S\$1 each	—	62	Property development
First Loyang Land Pte Ltd	55,834,697 shares of S\$1 each	—	62	Property development
First Tanglin Land Pte Ltd	25,628,700 shares of S\$1 each	—	62	Property development
GLL Holdings (UK) Pte. Ltd.	9,000,000 shares of S\$1 each	—	62	Investment holding
GLL Investment Ltd. (formerly known as First Capital Investment Ltd)	10,000,000 shares of S\$1 each	—	62	Investment trading

# NOTES ON THE FINANCIAL STATEMENTS

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## 15 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
GLL Land Pte. Ltd.	70,000,000 shares of S\$1 each	—	62	Property investment
GLL (Malaysia) Pte. Ltd.	58,000,000 shares of S\$1 each	—	62	Investment holding and trading
GLL Ventures Pte. Ltd. (formerly known as First Capital Holdings (Thailand) Pte Ltd)	2 shares of S\$1 each	—	62	Investment holding
Guoco Assets Pte Ltd	2 shares of S\$1 each	100	100	Investment holding
Guoco Investment Pte Ltd	20,000,000 shares of S\$1 each	100	100	Investment holding
Guoco Investment Services Pte Ltd	50,000 shares of S\$1 each	100	100	Provision of investment advisory services
Guoco Property Management Pte Ltd	2 shares of S\$1 each	—	62	Property management
GuocoLand Limited	665,539,153 shares of S\$1 each	—	62	Investment holding
GuocoLand Management Pte. Ltd.	500,000 shares of S\$1 each	—	62	Provision of management services
GuocoLand Property Management Pte. Ltd.	2 shares of S\$1 each	—	62	Property management, marketing and maintenance services
GuocoLand (Singapore) Pte. Ltd.	100,000,000 shares of S\$1 each	—	62	Investment holding
Harbour View Development Pte Ltd	13,100,000 shares of S\$1 each	—	62	Property development
Hedover Holdings Pte Ltd	5,000,000 shares of S\$1 each	—	62	Property investment
Leonie Land Pte Ltd	19,310,000 shares of S\$1 each	—	62	Property development
Melville Park Development Pte Ltd	72,300,000 shares of S\$1 each	—	50	Property development
My Home Online Pte Ltd	10 shares of S\$1 each	—	62	Provider of internet commerce services

# NOTES ON THE FINANCIAL STATEMENTS

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## 15 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Pemberton Limited	200 shares of S\$1 each	—	62	Investment holding
Rivaldo Investments Pte Ltd	2 shares of S\$1 each	—	62	Investment holding and trading
Sanctuary Land Pte Ltd	60,000,000 shares of S\$1 each	—	56	Property development
Tanamera Development Pte Ltd	20,500,000 shares of S\$1 each	—	62	Property development
Winterhall Pte Ltd	71,000,000 shares of S\$1 each	—	62	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
Asian Financial Common Wealth Limited	British Virgin Islands	1 share of \$1 each	100	100	Provision of trustee services
Beijing Jiang Sheng Property Development Co., Ltd (Note (i))	The People's Republic of China	RMB250,000,000 (Note (ii))	—	62	Property development
Beijing Minghua Property Development Co., Ltd (Note (i))	The People's Republic of China	RMB200,000,000 (Note (ii))	—	47	Property development
Brightspring Holdings Limited	British Virgin Islands	1 share of \$1 each	100	100	Investment holding
Brightwealth Investments Limited	British Virgin Islands	1 share of \$1 each	100	100	Investment holding
Camerlin Group Berhad (Note (i))	Malaysia	390,212,402 shares of RM1 each	—	61	Investment holding
Capital Intelligence Limited (Note (iii))	Cayman Islands	1 share of \$1 each	100	100	Investment trading
Checkenden Limited	British Virgin Islands	2 shares of \$1 each	—	62	Investment holding
DH Capital Management (BVI) Limited (Note (iii))	British Virgin Islands	2 shares of \$1 each	100	100	Investment holding

## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
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### 15 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company Group		Principal activities
Dynamic Source Group Limited (Note (iii))	British Virgin Islands	1 share of \$1 each	100	100	Investment holding
First Capital Assets (BVI) Ltd	British Virgin Islands	2 shares of \$1 each	—	62	Investment trading
Guoco Assets (Philippines), Inc.	The Philippines	1,210,000 shares of P100 each	—	100	Investment holding
Guoco Assets Sdn. Bhd.	Malaysia	2 shares of RM1 each	100	100	Investment holding
GuocoLand (China) Limited (formerly known as Guoco Properties Limited)	Bermuda	20,000,000 shares of \$1 each	—	62	Investment holding
Guoco Securities (Bermuda) Limited (Note (iii))	Bermuda	120,000 shares of \$0.10 each	100	100	Investment holding
GL Holdings Limited (Note (iii))	British Virgin Islands	1 share of \$1 each	100	100	Investment holding
Hong Way Holdings, Inc.	The Philippines	100,000 shares of P1 each	60	100	Investment holding
Reunification Properties Limited (Note (iii))	British Virgin Islands	1 share of \$1 each	—	100	Investment holding
Shanghai Xin Hao Zhong Property Development Co., Ltd (Note (i))	The People's Republic of China	\$20,000,000 (Note (ii))	—	61	Property development
Scorewell Corporation (Note (iii))	British Virgin Islands	1 share of \$1 each	—	100	Investment holding
Supreme Goal Investments Limited (Note (iii))	British Virgin Islands	1 share of \$1 each	—	100	Property investment
W.C.H. Limited (Note (iii) & (iv))	British Virgin Islands	500,000 shares of HK\$1 each	—	100	Property investment
Wanchai Property Investment Limited (Note (iii) & (iv))	British Virgin Islands	500,000 shares of HK\$1 each	—	100	Property investment

Notes:

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

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 16 INTEREST IN ASSOCIATES

	The Group	
	2005	2004
	\$'000	\$'000
Share of net assets		
Listed shares, overseas	555,824	295,329
Unlisted	30,496	14,411
Goodwill	(13,207)	(23,875)
Amounts due from associates	17,771	21,042
	<hr/>	<hr/>
	590,884	306,907
Less : Impairment loss	(37,462)	(37,462)
	<hr/>	<hr/>
	553,422	269,445
	<hr/>	<hr/>

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
BIL International Limited	Bermuda	1,368,063,633 shares of \$0.2 each	19	Hotel and property management
Crawford Pte Ltd	Singapore	1,000,000 shares of \$S1 each	25	Property development
First Capital Property Ventures Pte Ltd	Singapore	100 shares of \$S1 each	22	Investment holding
GuocoLand (Malaysia) Berhad (formerly known as Hong Leong Properties Berhad)	Malaysia	700,458,418 shares of M\$0.5 each	28	Investment holding
Guoman Hotel & Resort Holdings Sdn Bhd	Malaysia	277,000,000 shares of M\$1 each	19	Investment holding
Hong Leong Credit Berhad	Malaysia	1,040,722,242 shares of M\$1 each	26	Financial services and property development
Razgrad Pte Ltd	Singapore	1,000,000 shares of \$S1 each	25	Property development
Stockton Investments Pte Ltd	Singapore	10,000 shares of \$S1 each	24	Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of \$1 each	25	Investment holding



# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
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## 17 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2005	2004
	\$'000	\$'000
Share of net liabilities - unlisted	(1,471)	(1,121)
Amounts due from jointly controlled entities	14,122	15,986
	<hr/>	<hr/>
	12,651	14,865
Less: Impairment loss	—	(14,897)
	<hr/>	<hr/>
	12,651	(32)
	<hr/>	<hr/>

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 \$1 each	50	Investment holding
Regal Trophy Limited (Note)	British Virgin Islands	20 shares of \$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.

## 18 ACQUISITION OF SUBSIDIARIES

- The Group acquired 61.4% interest in Camerlin Group Berhad ("CGB") during the year for consideration of \$72,536,000. Negative goodwill of \$28,251,000 has been recognised immediately in the consolidated income statement. CGB is an investment holding company. For the year ended 30 June 2005, CGB contributed net profit of \$3,640,000 to the consolidated net profit.
- The Group acquired 61.8% interest in Beijing Jiang Sheng Property Development Co., Ltd ("BJSPD") during the year for \$29,936,000, satisfied in cash. The principal activity of BJSPD is property development. For the year ended 30 June 2005, net loss of \$61,000 in BJSPD was recognised in the consolidated income statement.

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 18 ACQUISITION OF SUBSIDIARIES (Cont'd)

### (c) Net assets acquired

	Recognised value \$'000	The Group 2005 Fair value adjustment \$'000	Carrying amount \$'000
Interest in an associate	202,416	(14,102)	188,314
Development properties	30,096	—	30,096
Other assets	2,277	—	2,277
Cash and short term funds	5,827	—	5,827
Other payables and provisions	(1,041)	—	(1,041)
Bank loans	(18,560)	—	(18,560)
Irredeemable convertible unsecured loan stocks	(8,531)	—	(8,531)
Minority interest	(67,659)	—	(67,659)
Net assets acquired	144,825	(14,102)	130,723
Total consideration			(102,472)
Negative goodwill			28,251

## 19 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Investment securities</b>				
<b>Equity securities</b>				
- Listed outside Hong Kong	65,674	72,524	—	—
- Unlisted	4,022	3,493	—	—
	69,696	76,017	—	—
<b>Club and other debentures</b>	488	487	203	203
	70,184	76,504	203	203
Market value of listed equity securities	88,475	72,159	—	—

Certain listed investment securities with total carrying value of \$49.1 million (2004: \$56.4 million) were pledged with banks to secure short-term bank loan facilities.

## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

### 20 GOODWILL

	The Group
	Negative goodwill \$'000
<i>Cost :</i>	
At 1 July 2004	(24,332)
Addition arising on acquisition of a subsidiary	(2,060)
	<hr/>
At 30 June 2005	(26,392)
	<hr style="border-top: 1px dashed black;"/>
<i>Accumulated amortisation:</i>	
At 1 July 2004	(9,625)
Amortisation for the year	(8,899)
	<hr/>
At 30 June 2005	(18,524)
	<hr style="border-top: 1px dashed black;"/>
<i>Carrying amount:</i>	
At 30 June 2005	(7,868)
	<hr style="border-top: 3px double black;"/>
At 30 June 2004	(14,707)
	<hr style="border-top: 3px double black;"/>

Negative goodwill arising from business combinations with the agreement dates before 1 January 2005 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.

Negative goodwill arising from the acquisitions of shares in CGB that with an agreement date after 1 January 2005, amounting to \$28.3 million for the year ended 30 June 2005, is recognised immediately as income.

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 21 DEVELOPMENT PROPERTIES

	The Group	
	2005	2004
	\$'000	\$'000
Cost as at 30 June	597,199	943,640
Less : Attributable loss	(22,585)	(40,295)
Less : Impairment loss	(76,872)	(89,228)
Less : Progress instalments received and receivable	(85,809)	(371,018)
	<u>411,933</u>	<u>443,099</u>

The amount of development properties expected to be recovered after more than one year is \$53.2 million (2004: \$235.2 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 \$443.8 million (2004: \$370.4 million) are under legal mortgages with banks.

## 22 PROPERTIES HELD FOR SALE

	The Group	
	2005	2004
	\$'000	\$'000
As at 1 July	59,366	60,941
Additions	99,739	—
Disposals	(10,738)	(1,692)
	<u>148,367</u>	<u>59,249</u>
Add : Provision write back for foreseeable loss	672	117
	<u>149,039</u>	<u>59,366</u>

## 23 OTHER ASSETS

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Accrued interest	7,312	2,788	6,927	2,390
Other accounts	<u>123,860</u>	<u>234,691</u>	<u>197</u>	<u>39</u>
	<u>131,172</u>	<u>237,479</u>	<u>7,124</u>	<u>2,429</u>

Included in the Group's other assets are amounts of \$3.3 million (2004: \$10.7 million) which are expected to be recovered after more than one year.

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 24 OTHER INVESTMENTS IN SECURITIES

	The Group	
	2005 \$'000	2004 \$'000
<i>Debt securities</i>		
Listed		
- In Hong Kong	—	558
- Outside Hong Kong	74	2,595
	<u>74</u>	<u>3,153</u>
Unlisted	15,000	—
	<u>15,074</u>	<u>3,153</u>
<i>Equity securities</i>		
Listed		
- In Hong Kong	99,902	65,911
- Outside Hong Kong	426,093	547,918
	<u>525,995</u>	<u>613,829</u>
Unlisted	44,293	—
	<u>570,288</u>	<u>613,829</u>
<i>Unit trust</i>		
Listed	20,607	—
Unlisted	600	26,367
	<u>21,207</u>	<u>26,367</u>
	<u>606,569</u>	<u>643,349</u>
Market value of other listed investments in securities		
- Debt securities	74	3,153
- Equity securities	525,995	613,829
- Unit trust	20,607	—
	<u>546,676</u>	<u>616,982</u>

## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

### 25 CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Deposits with banks	2,945,116	2,822,971	2,687,774	2,693,265
Cash at bank and in hand	87,495	73,683	3,187	5,661
Cash and cash equivalents in the balance sheet and cash flow statement	<u>3,032,611</u>	<u>2,896,654</u>	<u>2,690,961</u>	<u>2,698,926</u>

### 26 OTHER PAYABLES AND PROVISIONS

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Other payables and provisions	111,942	73,944	1,889	1,908
Amount due to a fellow subsidiary	13,233	9,355	13,233	9,355
Amounts due to associates	1	1	—	—
	<u>125,176</u>	<u>83,300</u>	<u>15,122</u>	<u>11,263</u>

Included in other payables and provisions of the Group and the Company are amounts of \$5 million (2004: \$2.8 million) and \$1.4 million (2004: \$1.4 million) respectively which are expected to be settled after more than one year.

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

	The Group	
	2005	2004
	\$'000	\$'000
Bank loans		
- Secured (Note)	96,772	120,252
- Unsecured	39,477	118,298
	<u>136,249</u>	<u>238,550</u>
Unsecured medium term notes repayable within 1 year	11,871	46,453
	<u>148,120</u>	<u>285,003</u>

Note : The bank loans are secured by the following :

- legal mortgages on investment properties (Note 14);
- legal mortgages on development properties (Note 21); and
- certain listed investment securities (Note 19).

## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

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

	The Group	
	2005	2004
	\$'000	\$'000
Bank loans		
- Secured (Note)	173,818	172,941
- Unsecured	20,778	—
	<u>194,596</u>	<u>172,941</u>
Unsecured medium term notes	150,043	111,997
	<u>344,639</u>	<u>284,938</u>

Note : The bank loans are secured by the following :

- legal mortgages on investment properties (Note 14);
- 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					
	2005			2004		
	Bank loans \$'000	Other borrowings \$'000	Total \$'000	Bank loans \$'000	Other borrowings \$'000	Total \$'000
On demand or within 1 year	136,249	11,871	148,120	238,550	46,453	285,003
After 1 year but within 2 years	93,676	78,806	172,482	89,873	11,593	101,466
After 2 years but within 5 years	100,920	71,237	172,157	83,068	100,404	183,472
	<u>194,596</u>	<u>150,043</u>	<u>344,639</u>	<u>172,941</u>	<u>111,997</u>	<u>284,938</u>
	<u>330,845</u>	<u>161,914</u>	<u>492,759</u>	<u>411,491</u>	<u>158,450</u>	<u>569,941</u>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 29 DEFERRED TAXATION

### (a) Deferred tax assets and liabilities recognised:

#### (i) The Group

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

Deferred tax arising from:	Depreciation allowance in excess of related depreciation \$'000	Revaluation of properties \$'000	Timing difference on development properties \$'000	General provision for bad and doubtful debts \$'000	Tax losses \$'000	Others \$'000	Total \$'000
As at 1 July 2004	(3)	1,802	4,872	(14)	(1,046)	59	5,670
Credited to consolidated income statement	(39)	—	(1,035)	—	(43)	—	(1,117)
Others	(76)	—	—	14	—	—	(62)
	(118)	1,802	3,837	—	(1,089)	59	4,491
Exchange adjustments	1	38	—	—	(1)	1	39
As at 30 June 2005	(117)	1,840	3,837	—	(1,090)	60	4,530
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
					2005		2004
					\$'000		\$'000
Net deferred tax assets recognised on the balance sheet					(1,207)		(1,125)
Net deferred tax liabilities recognised on the balance sheet					5,737		6,795
					4,530		5,670



# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 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	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Deductible temporary differences	169,450	174,527	—	—
Tax losses	117,463	135,183	—	327
	<u>286,913</u>	<u>309,710</u>	<u>—</u>	<u>327</u>

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

## 30 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

The irredeemable convertible unsecured loan stocks ("ICULS") issued by CGB in July 2002 have a maturity date of 15 July 2007 and carry a coupon rate of 5.5% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM1.00 each in CGB at any time from the date of issuance. The conversion price of the ICULS has been fixed at RM1.16 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS or a combination of ICULS and cash, provided that at least RM1.00 nominal value of ICULS must be surrendered for every one share.

## 31 MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of \$1,218,000 (2004: \$1,226,000).

## 32 SHARE CAPITAL

	The Group and The Company			
	2005		2004	
	No. of shares		No. of shares	
	'000	\$'000	'000	\$'000
<b>Authorised:</b>				
Ordinary shares of \$0.50 each	<u>1,000,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>				
As at 1 July	329,051	164,526	327,211	163,606
Shares issued under executive share option scheme	<u>—</u>	<u>—</u>	<u>1,840</u>	<u>920</u>
As at 30 June (Note)	<u>329,051</u>	<u>164,526</u>	<u>329,051</u>	<u>164,526</u>

Note: As at 30 June 2005, 1,020,000 ordinary shares (2004: Nil) were acquired by the Group for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees.

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 33 RESERVES

### (a) The Group

	Share premium \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	ESOP reserve \$'000	Exchange translation reserve \$'000	Retained profit \$'000	Total \$'000
At 1 July 2004	10,493	56,038	3,978	—	3,650	3,694,920	3,769,079
Transfer between reserves	—	(6,890)	(1,052)	—	—	7,942	—
Shares repurchased and cancelled by a subsidiary	—	—	—	—	—	(3,441)	(3,441)
Realised on disposal of a subsidiary	—	—	(30)	—	—	—	(30)
Share of subsidiaries' and associates' capital reserves movement	—	(5,751)	—	—	—	—	(5,751)
Purchase of own shares for Share Option Plan	—	—	—	(10,132)	—	—	(10,132)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	334	—	—	9,354	—	9,688
Retained profit for the year	—	—	—	—	—	272,079	272,079
At 30 June 2005	<u>10,493</u>	<u>43,731</u>	<u>2,896</u>	<u>(10,132)</u>	<u>13,004</u>	<u>3,971,500</u>	<u>4,031,492</u>
Retained in							
- Company and subsidiaries							3,874,506
- Associates							165,044
- Jointly controlled entities							(8,058)
							<u>4,031,492</u>

## NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

### 33 RESERVES (Cont'd)

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

	Share premium \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	ESOP reserve \$'000	Exchange translation reserve \$'000	Retained profit \$'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	—	—	—	—	—	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

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 33 RESERVES (Cont'd)

### (b) The Company

	Share premium \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	ESOP reserve \$'000	Exchange translation reserve \$'000	Retained profit \$'000	Total \$'000
At 1 July 2004	10,493	—	—	—	6,133	3,192,048	3,208,674
Exchange differences on translation of net investments in foreign subsidiaries	—	—	—	—	3,367	—	3,367
Retained profit for the year	—	—	—	—	—	22,528	22,528
At 30 June 2005	10,493	—	—	—	9,500	3,214,576	3,234,569
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	—	—	—	—	3,416	—	3,416
Retained profit for the year	—	—	—	—	—	19,755	19,755
At 30 June 2004	10,493	—	—	—	6,133	3,192,048	3,208,674

#### 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) The ESOP reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees (Note 36).

GuocoLand Limited, which was 62.4% owned by the Group, has purchased its own issued shares during the year under the ESOS scheme for consideration of \$11,784,000 and have been dealt with in the capital and other reserves.

- (v) Distributable reserves of the Company as at 30 June 2005 amounted to \$3,224,076,000 (2004 : \$3,198,181,000).

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of subsidiaries

	The Group 2005 \$'000
Net assets acquired:	
Interest in an associate	188,314
Development properties	30,096
Other assets	2,277
Cash and short term funds	5,827
Other payables and provisions	(1,041)
Bank loans	(18,560)
Irredeemable convertible unsecured loan stocks	(8,531)
Minority interests	(67,659)
	<hr/> 130,723
Negative goodwill arising on acquisition	(28,251)
	<hr/>
Total consideration	102,472
	<hr/> <hr/>
Satisfied by:	
Cash consideration	70,193
Conversion of irredeemable convertible unsecured loan stocks	23,415
Other non-current financial assets	8,864
	<hr/> 102,472
	<hr/> <hr/>

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

	2005 \$'000
Cash consideration	70,193
Cash at bank and in hand acquired	(5,827)
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	64,366
	<hr/> <hr/>

# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

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

### (c) Disposal of a subsidiary:

	The Group	
	2005	2004
	\$'000	\$'000
Net assets disposed:		
Fixed assets	4,036	135
Other assets	3,376	(2,476)
Other investment in securities	6,378	—
Cash and short term funds	13,157	1,564
Other payables and provisions	(4,011)	123
Insurance fund	(4,206)	—
Taxation	(145)	—
Deferred taxation	(62)	—
Contributed surplus	(30)	—
Exchange translation reserve	2	13
	<u>18,495</u>	<u>(641)</u>
Profit on disposal of a subsidiary	<u>1,133</u>	<u>10,973</u>
	<u>19,628</u>	<u>10,332</u>
Satisfied by:		
Cash received	<u>19,628</u>	<u>10,332</u>

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

	The Group	
	2005	2004
	\$'000	\$'000
Cash consideration received	19,628	10,332
Cash at bank and in hand disposed	<u>(13,157)</u>	<u>(1,564)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>6,471</u>	<u>8,768</u>

## NOTES ON THE FINANCIAL STATEMENTS

*for the year ended 30 June 2005*  
*(Expressed in United States dollars)*

### 35 STAFF RETIREMENT SCHEME

The Company and its subsidiaries in Hong Kong operate a Mandatory Provident Fund Scheme ("MPF Scheme") which has been established under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance in December 2000. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group's contribution is 10 percent 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.

### 36 EQUITY COMPENSATION BENEFITS

The Company adopted a share option scheme (the "Share Option Scheme") on 29 November 2001 for the purpose of providing any employees or directors 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 of Hong Kong Limited ("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 Share Option Scheme was adopted by the Company.

No option was granted to any Eligible Employee pursuant to the Share Option 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.

## 37 CONTINGENT LIABILITIES

As at 30 June 2005, neither the Group nor the Company had any 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 \$20,461,000 granted to certain investee companies of the Group.

## 38 COMMITMENTS

### Operating lease arrangements

#### (i) As lessee

As at 30 June 2005, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group	
	2005	2004
	\$'000	\$'000
Within 1 year	931	993
After 1 year but within 5 years	516	1,386
	<u>1,447</u>	<u>2,379</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 2005, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	The Group	
	2005	2004
	\$'000	\$'000
Within 1 year	5,858	4,629
After 1 year but within 5 years	4,850	4,416
	<u>10,708</u>	<u>9,045</u>

There were also commitments in respect of foreign currency contracts and interest rate swap relating to the normal operations as at 30 June 2005.



# NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2005  
(Expressed in United States dollars)

## 39 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Banking transactions

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

During the year, the 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	
	2005	2004
	\$'000	\$'000
Interest income	1,474	2,075

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

	The Group	
	2005	2004
	\$'000	\$'000
Cash and short term funds	74,879	116,130

### (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 2005 amounted to \$13.4 million (2004: \$9.5 million).

### (c) Sale and purchase of subsidiaries

(i) On 11 January 2005, Dao Heng Enterprises Limited (“DHE”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “Sale and Purchase Agreement”) with Allstate Health Benefits Sdn Bhd (“AHB”), a wholly-owned subsidiary of Hong Leong Assurance Berhad (“HLA”) for the disposal of the entire interest in Dao Heng Insurance Co., Limited (“DHI”), to AHB for a cash consideration of approximately \$19.6 million. As AHB is a wholly-owned subsidiary of HLA, the Company continues to have an indirect interest in DHI via its holding of 25.7% interests in Hong Leong Credit Berhad (“HLCB”) which wholly owns HLA. The Group realised a net profit of approximately \$1.1 million from the transaction. HLA is wholly-owned by HLCB which is owned as to 52.5% by the HLCM group (excluding the Group) and 25.7% by the Group.

(ii) On 12 January 2005, Brightspring Holdings Limited (“BSH”), a wholly-owned subsidiary of the Company, entered into a conditional securities sale agreement (the “Securities Sale Agreement”) with Hong Leong Industries Berhad (“HLI”), HLI Trading Limited (“HLIT”), Hong Leong Computer Services Sdn Bhd (“HLCom”) and FCC Equities Pte Ltd (“FCCE”) for the acquisition of 119,557,850 shares of CGB and 89,566,967 irredeemable convertible unsecured loan stocks of CGB (“CGB ICULS”). The aggregate purchase consideration was approximately \$62.3 million (approximately RM236.6 million) payable in cash upon completion of the Securities Sale Agreement. The purchase consideration was calculated based on RM1.20 per CGB share and RM1.04 per CGB ICULS.

The HLI group (including its wholly-owned subsidiary, HLIT) is owned as to 60.2% by the HLCM group (excluding the Group). HLCom is an indirect wholly-owned subsidiary of HLCM. FCCE is a wholly-owned subsidiary of GuocoLand Limited which is a 62.4% owned subsidiary of the Company.

The above transactions also constitute connected transactions under Chapter 14A of the Listing Rules. Further details of these transactions are disclosed under “Interests in Contracts and Connected Transactions” in the report of the directors.

## 40 POST BALANCE SHEET EVENTS

On 3 February 2005, the Group made a financing investment comprising the acquisition of 17.3% of the economic interest (the “GC Interests”) in Galaxy Casino S.A. (“GC”) and the entering into of two option deeds (“Option Deeds”) whereby the option holders have call options and the Group has put options over the GC Interests.

On 22 July 2005, the Group completed the sale of the GC Interests to a wholly-owned subsidiary of K. Wah Construction Materials Limited (“KWCM”) for a consideration comprising 325,615,622 new KWCM Shares (“Consideration Shares”) issued at HK\$8.00 per share (representing about 9.9% of the enlarged issued share capital of KWCM), cash of \$72.8 million and fixed rate notes (“FRNs”) of \$11 million. The Consideration Shares and the FRNs have replaced the GC Interests and will continue to be subject to the call options and the put options pursuant to the Option Deeds.

The call options will be triggered automatically upon repayment of the FRNs or receipt of cash in lieu. If such an automatic trigger of the call options happens, and if the Group earns the maximum bonus base on a profit sharing arrangement with the option holders in relation to the disposal of the Consideration Shares, the Group would receive maximum return of approximately \$51.9 million under the financing investment.

## 41 FUTURE CHANGES IN ACCOUNTING POLICIES

The Group has not early adopted the new HKFRSs in the financial statements for the year ended 30 June 2005.

The Group has conducted a preliminary assessment on the impact of the new HKFRSs and has so far concluded that the adoption of HKFRS 3 “Business Combinations” for business combinations with the agreement dates before 1 January 2005 and HKAS 39 “Financial Instruments: Recognition and Measurement” will have a significant impact on its financial statements as set out below:

At present, for business combination with the agreement dates before 1 January 2005, the Group has recognised negative goodwill as a deferred item and is released to the income statement on a proportional basis. Following the adoption of the HKFRS 3, the negative goodwill should be recognised in the income statement immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill will be derecognised to the retained profit by way of an adjustment to the opening balances and comparatives are not restated. The Group’s retained profit as at 1 July 2005 would have been increased by \$33,167,000.

At present, the Group’s 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 provision being made is recognised as an expense in the income statement.

Following the adoption of the HKAS 39, the securities with the above nature are stated on the balance sheet at fair value with changes recognised in investment revaluation reserve. Under the transitional arrangements of HKAS 39, any recognition or measurement adjustments should be made to the opening balances and comparatives are not restated. The Group’s reserves as at 1 July 2005 would have been increased by \$22,801,000.

The Group will continue to assess the impact of the other new HKFRSs and other significant changes may be identified as a result.

## 42 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.

## 43 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30 June 2005 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 %
Le Crescendo situated at Paya Lebar Road	Residential	Architectural & external works in progress	2/2006	12,323	26,176	62
Bishan Point situated at Sin Ming Ave/Bright Hill Drive	Residential	TOP obtained on 20/6/2005	N/A	6,800	19,038	62
Central Park situated in Luwan District, Shanghai	Residential	Architectural, mechanical and electrical works in progress	12/2005	14,841	63,935	61
D'elias situated at Tampines Expressway/Elias Road Junction	Residential	TOP obtained on 15/6/2005	N/A	4,429	4,230	62
Leonie Studio situated at Leonie Hill	Residential	Substructure & superstructure works in progress	11/2006	2,850	8,690	62
Nathan Place situated at Nathan Road	Residential	Substructure, superstructure & architectural works in progress	6/2006	4,421	6,189	62
Paterson Residence situated at Paterson Road	Residential	Piling works in progress	4/2008	7,774	16,327	62
Site situated at West Coast Road	Residential	Planning	*	13,245	18,543	62
Site situated at Sengkang Central	Residential	Planning	*	21,985	65,956	62
The View @ Meyer situated at Meyer Road	Residential	Planning	*	3,352	7,039	62
West End Point situated in Xicheng District, Beijing	Residential/ Commercial	Planning	*	36,517	108,137	62

\* Not applicable as construction for these developments have not commenced.  
N/A - not applicable

## MAJOR PROPERTIES OF THE SUBSIDIARIES HELD FOR SALE

Property	Intended Use	Site area sq. m	Gross floor area sq. m	Group's interest %
Sanctuary Green situated at Tanjong Rhu Road	Residential	23,551	66,040	56
The Gardens at Bishan situated at Sin Ming Ave/Sin Ming Walk	Residential	34,949	87,373	56
Corporate Square situated in Xicheng District, Beijing	Office	14,501	95,758	47

## 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
Overseas Trust Bank Building 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