

CORPORATE INFORMATION

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
Jamal Al-Babtain

COMPANY SECRETARY

Stella S.M. Lo

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INTERNET WEBSITES OF OTHER SUBSIDIARIES AND ASSOCIATES

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

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

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

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

FINANCIAL CALENDAR

Interim results announcement	11 March 2004
Closure of Register of Members	30 March 2004 to 2 April 2004
Interim dividend of HK\$0.40 per share payable on	6 April 2004

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INTERIM RESULTS

The Board of Directors of Guoco Group Limited (the “Company” or the “Group”) is pleased to announce that the unaudited consolidated profit attributable to shareholders of the Group for the six months ended 31 December 2003 is HK\$1,231 million, which represents an increase of approximately 179% over the corresponding period last year. Basic earnings per share also increased by approximately 176% to HK\$3.76. Consolidated shareholders’ funds have increased to HK\$29.6 billion, representing an increase of approximately 2.7% over the last financial year ended 30 June 2003.

Overall turnover increased by HK\$379 million, mainly attributable to the increase of 108% or HK\$245 million turnover in treasury, fund and investment management sector and the increase of 32% or HK\$161 million in income from sale of properties.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.40 per share amounting to HK\$131,621,000 (2002/2003 interim dividend: HK\$0.40 per share amounting to HK\$130,885,000) for the financial year ending 30 June 2004 which will be payable on 6 April 2004 to the shareholders whose names appear on the Register of Members on 2 April 2004.

REVIEW OF OPERATIONS

Treasury, Fund and Investment Management

The Board Investment Committee devised investment policies and parameters covering core investment, time deposit, money market instruments, fixed income, equities and financial instruments. The Group also adopted stringent concentration risks control guidelines including setting limits for country risk, counterparty, currency and duration. In evaluating the credit risk of the counterparties, their financial strength with reference to their credit ratings and settlement ability are the primary consideration. The internal audit department assures compliance with these policies, procedures and regulatory requirements by regular audits.

With strict adherence to the Group’s risk management parameters and investment management approach, the Group achieved a satisfactory level of return against the current low interest rate environment and volatile currency and investment markets. The Group’s treasury, fund and investment management sector contributed approximately HK\$1,176 million to the operating profit before finance cost.

Market performance remained strong over the last few months. Investment sentiment was driven by increased risk appetite of investors, abundant liquidity and perceived synchronized global growth recovery. However, markets are expected to remain volatile as investors are concerned with sustainability of global growth and the prospect of rising interest rates. Consequently, such market rising momentum may be checked if not supported by the fundamentals of the underlying economies.

The Group has been expanding its investment infrastructure to manage its treasury operations and investment funds to pursue structured investment opportunities on a global basis.

REVIEW OF OPERATIONS (CONTINUED)

Property Division

Strategic initiatives to build capital value

As a further initiative to rationalise and consolidate the property and property-related activities of the Group in GuocoLand Limited (“GLL”), the Company and Hong Leong Company (Malaysia) Berhad (“HLCM”) entered into a conditional sale and purchase agreement with GLL in September 2003 for the sale of approximately 11.28% and 28.3% respective shareholdings in Hong Leong Properties Berhad (in aggregate approximately 39.58%) to GLL at a price of RM0.57 per share. The consideration will be satisfied by the issue of approximately 61.6 million ordinary shares of S\$1.00 each in the share capital of GLL at an issue price of S\$1.18 each. The transaction is expected to complete in mid-March 2004. The Group’s interest in GLL after the transaction will be reduced from approximately 65.0% to 61.4%.

GuocoLand Limited (“GLL”) - 65.0% owned by the Group

GLL Group’s revenue increased by 23% to S\$156.8 million for the half year ended 31 December 2003 compared to the previous corresponding period, mainly attributable to higher progressive revenue recognition from its launched residential properties under development.

For the half year ended 31 December 2003, GLL Group reported a net profit of S\$29.8 million, against S\$10.7 million in the previous corresponding period.

GLL Group’s net asset value per ordinary share decreased from S\$1.52 as at 30 June 2003 to S\$1.41 as at 31 December 2003, mainly due to the enlarged share capital base arising from the conversion of 96.1 million non-redeemable convertible cumulative preference shares.

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

In Singapore, the improved market outlook and low interest rate environment are positive factors for the residential property market. Over the next twelve months, private residential prices are expected to be firmer. GLL Group nonetheless expects the operating environment in Singapore to remain competitive and challenging.

In China, Corporate Square in Beijing is currently 66% sold and resettlement is in progress for GLL Group’s residential project at Zhenwumiao in Beijing. GLL Group has obtained the sales permit for one of the three blocks of condominium units in Central Park, Shanghai. The sales permit for the two other blocks will be issued when the super-structure is two-thirds completed. GLL Group is working towards officially launching the condominium units in the second half year of 2004.

REVIEW OF OPERATIONS (CONTINUED)

Property Division (Continued)

On 5 December 2003, Benchmark Group PLC (“Benchmark”), GLL’s 34.5% associate listed on the London Stock Exchange, announced that it had received approaches from various parties indicating they might be interested in considering a possible offer for the Company. It further announced on 1 March 2004 that it has granted to GE Real Estate (“GERE”) a period of exclusivity, until 8 April 2004, in which to complete due diligence with a view to GERE making offers for the ordinary share capital of Benchmark at approximately 280 pence per share and for the 5.75% Convertible Unsecured Loan Stock 2013 of Benchmark (the “Stock”) at approximately £103 per £100 nominal of Stock.

GLL and Friends Provident plc, which between them control approximately 69% of Benchmark’s issued share capital and 50% of the outstanding Stock, have indicated that it is their current intention to give irrevocable undertakings to accept any offers which may be made by GERE at 280 pence per ordinary share and £103 per £100 nominal of Stock, at the time of the announcement of such offers.

Financial Industry Group

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

HLCB registered a profit before tax of RM383.2 million for the financial period ended 31 December 2003 as compared to RM379.2 million in the previous corresponding period ended 31 December 2002. This is mainly due to higher revenue earned from the securities and insurance divisions.

The banking and finance division recorded a profit before tax of RM359.1 million for the financial period ended 31 December 2003, a decline of RM34.2 million as compared to RM393.3 million in the previous corresponding period. Turnover declined by RM36.0 million as a result of the narrower interest margin earned as well as lower contribution from hire purchase business due to its reduced loan base. In addition, the weakness in the bond market during the first quarter of the financial year also lowered the division’s profitability for the current period. Loan loss provisions increased by RM2.4 million due mainly to provisions made for a few accounts. However, this was partially offset by a strong growth registered by its mortgage business, which has grown by 11% since June 2003 as well as continuing cost control initiatives which resulted in operating expenses reducing by RM4.7 million.

The insurance division registered a profit before tax of RM37.9 million for the financial period ended 31 December 2003 compared to a profit before tax RM23.9 million for the previous corresponding financial period. This was principally due to better market sentiments, which resulted in higher gains on sales of investments.

The stockbroking division recorded a higher profit before tax of RM18.3 million for the financial period ended 31 December 2003 compared to a loss before tax of RM22.5 million in the previous corresponding financial period. This was principally due to better market sentiments and a lower cost-base resulting from right-sizing of the stockbroking division’s operations in the previous corresponding financial period whereby there were significant non recurring write-offs of property and equipment.

REVIEW OF OPERATIONS (CONTINUED)

Financial Industry Group (Continued)

With the completion of the demerger of Hong Leong Properties Berhad on 12 August 2003, HLCB's share of profit before tax in the property division up to the disposal date amounted to RM0.5 million compared to a profit before tax of RM3.5 million in the previous corresponding period.

Hong Kong Financial Services Subsidiaries

In December 2003, the Group entered into an agreement with The Principal Financial Group ("The Principal") of the US for the disposal of its entire interest in Dao Heng Fund Management Limited ("DHFM"). As a global leader in retirement and investment services, The Principal is especially well suited to serve the unique investment needs of its customers. We are therefore confident that the investment requirements of DHFM's customers will continue to be well served by The Principal. The disposal was completed in January 2004 and the profit arising from disposal amounted to approximately HK\$85 million.

The financial services companies including Dao Heng Securities Limited and Dao Heng Insurance Co., Limited have achieved improved profitability after having rationalised their operations through measures including right-sizing and enhancement of information technology systems. These measures have enabled them to sustain with resilience and to manage growth and resource deployment within their financial capability.

FINANCIAL COMMENTARY

Borrowings

As at 31 December 2003, the Group had reduced its total borrowings by 0.2% to HK\$4,665 million from HK\$4,673 million as at 30 June 2003. Unsecured borrowings comprise 41% of total borrowings. All the borrowings belonged to GLL and primarily represent 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	2,776,309	410,735	3,187,044
After 1 year but within 2 years	101,007	364,213	465,220
After 2 years but within 5 years	703,183	309,216	1,012,399
	804,190	673,429	1,477,619
	3,580,499	1,084,164	4,664,663

FINANCIAL COMMENTARY (CONTINUED)

Borrowings (Continued)

The loans are secured by the following:

- a legal mortgages on investment properties with a book value of HK\$593 million;
- b legal mortgages on development properties with a book value of HK\$3,974 million; and
- c certain equity investments with total carrying value of HK\$512 million.

As at 31 December 2003, the Group has net cash balance of HK\$15,174 million after netting off the total borrowings of HK\$4,665 million.

Contingent liabilities

As at 31 December 2003, there were contingent liabilities in respect of guarantees given to bankers by the Group and the Company to secure banking facilities to the extent of HK\$165 million (30 June 2003: HK\$313 million) and HK\$165 million (30 June 2003: HK\$165 million) respectively granted to group companies and certain investee companies of the Group.

Capital and finance

The Group's consolidated shareholders' funds as at 31 December 2003, after adjusting for an increase in share capital and share premium of HK\$37 million upon the exercise of share options during the period, amounted to HK\$29,639 million.

HUMAN RESOURCES AND TRAINING

The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to provide its staff with ongoing development programmes.

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 performance 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.

OUTLOOK

We believe there are still a number of issues that the global financial system will have to deal with, such as the prospect of rising interest rates later this year and the continuing rebalancing of exchange rates. The outcome of these issues could cause market volatility, although short-term liquidity flows are likely to dominate market direction in the remaining financial year ended 30 June 2004. Corporate earnings growth will be a major factor in determining market performance over the next few months. The outlook is favorable but at the same time expectations are high. We are cautiously optimistic for the next few months.

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2003 - Unaudited

	Note	2003 US\$'000	2002 US\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	3,4	163,160	113,815	1,266,546	887,586
Cost of property sales		(81,193)	(54,593)	(630,269)	(425,744)
Other attributable costs		(8,566)	(9,351)	(66,494)	(72,924)
Other revenue	5 (a)	73,401	49,871	569,783	388,918
Other net income	5 (b)	1,893	1,255	14,695	9,787
Administrative and other operating expenses		95,846	38,905	744,014	303,401
		(14,569)	(15,868)	(113,093)	(123,747)
Operating profit before finance cost	3	156,571	74,163	1,215,399	578,359
Finance cost	7	(1,997)	(3,457)	(15,502)	(26,959)
Operating profit		154,574	70,706	1,199,897	551,400
Loss on disposal of a subsidiary		—	(418)	—	(3,260)
Impairment loss on investment securities		(21,420)	—	(166,275)	—
Impairment loss write back/ (provided) on properties		2,842	(695)	22,061	(5,420)
Deficit on revaluation of investment properties		(8,774)	(17,305)	(68,109)	(134,953)
Net gain on disposal of investment properties		310	—	2,406	—
Operating profit on ordinary activities		127,532	52,288	989,980	407,767
Share of profits less losses of associates	6	24,571	18,045	190,735	140,724
Share of profits less losses of jointly controlled entities		—	48	—	374
Profit from ordinary activities before taxation	6	152,103	70,381	1,180,715	548,865
Taxation	8	1,620	(10,714)	12,575	(83,553)
Profit after taxation		153,723	59,667	1,193,290	465,312
Minority interests		4,883	(3,180)	37,905	(24,799)
Profit attributable to shareholders		158,606	56,487	1,231,195	440,513
Appropriations:					
Final dividend paid	9	(29,679)	(29,164)	(230,386)	(227,431)
Retained profit for the period		128,927	27,323	1,000,809	213,082
Earnings per share		US\$	US\$	HK\$	HK\$
Basic	10	0.48	0.17	3.76	1.36
Diluted	10	0.48	0.17	3.75	1.35
		US\$'000	US\$'000	HK\$'000	HK\$'000
Proposed interim dividend	9	16,956	16,783	131,621	130,885

The notes on pages 10 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2003 - Unaudited

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

The notes on pages 10 to 26 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 31 December 2003

	Note	At 31 December 2003 (Unaudited) US\$'000	At 30 June 2003 (Audited) US\$'000 (Restated)	At 31 December 2003 (Unaudited) HK\$'000	At 30 June 2003 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS					
Fixed assets		237,328	232,897	1,842,282	1,816,131
Interest in associates		398,069	408,903	3,090,050	3,188,626
Interest in jointly controlled entities		(2,648)	(4,341)	(20,555)	(33,851)
Other non-current financial assets	11	91,794	89,589	712,560	698,615
Deferred tax assets		1,145	1,139	8,888	8,888
Goodwill		(16,808)	(10,249)	(130,474)	(79,922)
		708,880	717,938	5,502,751	5,598,487
CURRENT ASSETS					
Development properties	12	504,000	512,289	3,912,350	3,994,830
Properties held for sale		60,684	60,941	471,066	475,218
Other assets	13	60,778	62,246	471,795	485,394
Other investments in securities	14	850,358	333,728	6,600,989	2,602,411
Cash and short term funds		2,555,662	2,932,952	19,838,585	22,871,160
		4,031,482	3,902,156	31,294,785	30,429,013
CURRENT LIABILITIES					
Other payables and provisions	15	75,259	60,097	584,206	468,636
Current portion of bank loans and other borrowings	16	410,564	383,414	3,187,044	2,989,862
Insurance funds		3,308	3,606	25,679	28,120
Taxation		24,362	31,475	189,112	245,442
		513,493	478,592	3,986,041	3,732,060
Net current assets		3,517,989	3,423,564	27,308,744	26,696,953
TOTAL ASSETS LESS CURRENT LIABILITIES		4,226,869	4,141,502	32,811,495	32,295,440
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings	17	190,351	215,875	1,477,619	1,683,393
Deferred taxation		9,711	9,106	75,383	71,011
		200,062	224,981	1,553,002	1,754,404
Minority interests		208,640	214,020	1,619,589	1,668,928
NET ASSETS		3,818,167	3,702,501	29,638,904	28,872,108
CAPITAL AND RESERVES					
Share capital	18	164,526	163,606	1,277,150	1,275,800
Reserves	19	3,653,641	3,538,895	28,361,754	27,596,308
		3,818,167	3,702,501	29,638,904	28,872,108

The notes on pages 10 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2003 - Unaudited

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

The notes on pages 10 to 26 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. *BASIS OF PREPARATION*

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

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

2. *ACCOUNTING POLICIES*

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

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

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

3. SEGMENT INFORMATION

Business Segments

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

3. SEGMENT INFORMATION (continued)

Geographical Segments

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

4. TURNOVER

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

5. OTHER REVENUE AND NET INCOME

(a) Other revenue

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

(b) Other net income

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

6. *PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION*

Profit from ordinary activities before taxation is arrived at

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

7. *FINANCE COST*

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

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

8. *TAXATION*

Taxation in the consolidated income statement represents:

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

9. *DIVIDENDS*

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

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

10. *EARNINGS PER SHARE*(a) *Basic earnings per share*

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

(b) *Diluted earnings per share*

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

10. EARNINGS PER SHARE (continued)

(c) Reconciliations

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

11. OTHER NON-CURRENT FINANCIAL ASSETS

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

12. DEVELOPMENT PROPERTIES

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

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

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

13. OTHER ASSETS

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

14. OTHER INVESTMENTS IN SECURITIES

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

15. OTHER PAYABLES AND PROVISIONS

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

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

16. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

17. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

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

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

18. SHARE CAPITAL

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

19. RESERVES

	Share premium (Unaudited) US\$'000	Capital and other reserves (Unaudited) US\$'000	Contributed surplus (Unaudited) US\$'000	Exchange translation reserve (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total (Unaudited) US\$'000
At 1 July 2003						
As previously reported	6,595	78,771	3,978	14,089	3,434,518	3,537,951
Effect of adopting SSAP 12 (revised) (Note 2)	—	—	—	—	944	944
As restated	6,595	78,771	3,978	14,089	3,435,462	3,538,895
Shares issued under executive share option scheme	3,898	—	—	—	—	3,898
Transfer between reserves	—	2,606	—	—	(2,606)	—
Capital distributon of an associate	—	(25,384)	—	—	(3,022)	(28,406)
Share of subsidiaries' and associates' capital reserves movement	—	(527)	—	—	—	(527)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	573	—	10,281	—	10,854
Retained profit for the period	—	—	—	—	128,927	128,927
At 31 December 2003	10,493	56,039	3,978	24,370	3,558,761	3,653,641

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

19. RESERVES (continued)

	Share premium (Audited) US\$'000	Capital and other reserves (Audited) US\$'000	Contributed surplus (Audited) US\$'000	Exchange translation reserve (Audited) US\$'000	Retained profits (Audited) US\$'000	Total (Audited) US\$'000
At 1 July 2002						
As previously reported	—	58,837	3,978	9,736	3,343,138	3,415,689
Effect of adopting SSAP 12 (revised) (Note 2)	—	—	—	—	847	847
As restated	—	58,837	3,978	9,736	3,343,985	3,416,536
Shares issued under executive share option scheme	6,595	—	—	—	—	6,595
Transfer between reserves	—	19,770	—	—	(19,770)	—
Share of subsidiaries' and associates' capital reserves movement	—	109	—	—	—	109
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	55	—	4,353	—	4,408
Retained profit for the year	—	—	—	—	111,247	111,247
At 30 June 2003	6,595	78,771	3,978	14,089	3,435,462	3,538,895

20. CONTINGENT LIABILITIES

As at 31 December 2003, there were contingent liabilities in respect of guarantees given to bankers by the Group and the Company to secure banking facilities to the extent of US\$21,256,000 (30 June 2003: US\$40,124,000) and US\$21,256,000 (30 June 2003: US\$21,159,000) respectively granted to group companies and certain investee companies of the Group.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

21. MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

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

During the period, the Company and its subsidiaries entered into a number of transactions in the normal course of business with companies in the HLCM Group including deposit and correspondent banking transactions. The transactions were priced based on the relevant market rates at the time of each transaction, and were under the same terms as those available to the independent counterparties and customers.

Information relating to income and expenses from these transactions during the period and balance outstanding at the balance sheet date is set out below:

(i) Income and expense

	Six months ended 31 December	
	2003 (Unaudited) US\$'000	2002 (Unaudited) US\$'000
Interest income	902	471

(ii) Balance as

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

(b) Management fee

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

21. MATERIAL RELATED PARTY TRANSACTIONS (*continued*)

(c) Mandatory Provident Fund Scheme

The Group maintains a Mandatory Provident Fund Scheme in which the investment manager and the service provider is a subsidiary of the Company. During the period ended 31 December 2003, the Group made a total contribution of US\$0.4 million to the scheme (2002: US\$0.5 million).

22. POST BALANCE SHEET EVENT

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

23. HONG KONG DOLLAR AMOUNTS

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

SUPPLEMENTARY INFORMATION

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 December 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were disclosed as follows in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) The Company

Director	Number of shares/underlying shares (Long Position)				Notes
	Personal interests	Family interests	Corporate interests	Total interests	
Quek Leng Chan	1,656,325	—	150,629,522	152,285,847	1
Kwek Leng Hai	2,820,775	—	—	2,820,775	2
Sat Pal Khattar	691,125	—	—	691,125	3
Kwek Leng San	209,120	—	—	209,120	4
Tan Lim Heng	559,230	—	—	559,230	5
James Eng, Jr.	565,443	—	—	565,443	6
Harry Richard Wilkinson	5,000	—	—	5,000	7

Notes:

- The total interests of 152,285,847 shares/underlying shares, which represented approximately 46.29% of the total issued share capital of the Company, comprised 139,030,640 ordinary shares of the Company and 13,255,207 underlying shares of other unlisted derivatives.

The corporate interests of 150,629,522 shares/underlying shares comprised the respective direct interests held by:

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

Guoinvest was wholly owned by Providence Investments N.V. ("PINV") which was in turn wholly owned by Guoline Capital Assets Limited ("GCA"). MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 61.13% owned by Hong Leong Industries Berhad which was in turn 59.95% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLNA and GOL were wholly owned by GCA which was in turn wholly owned by HLCM. HLCM was 49.11% owned by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

(a) The Company (continued)

2. The total interests of 2,820,775 shares, which represented approximately 0.86% of the total issued share capital of the Company, were ordinary shares of the Company.
3. The total interests of 691,125 shares, which represented approximately 0.21% of the total issued share capital of the Company, were ordinary shares of the Company.
4. The total interests of 209,120 shares, which represented approximately 0.06% of the total issued share capital of the Company, were ordinary shares of the Company.
5. The total interests of 559,230 shares, which represented approximately 0.17% of the total issued share capital of the Company, were ordinary shares of the Company.
6. The total interests of 565,443 shares, which represented approximately 0.17% of the total issued share capital of the Company, were ordinary shares of the Company.
7. The total interests of 5,000 shares, which represented approximately 0.00% of the total issued share capital of the Company, were ordinary shares of the Company.

(b) Associated Corporations

GuocoLand Limited ("GLL")

Director	Number of shares/underlying shares (Long Position)					Notes
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Quek Leng Chan	14,047,224	—	458,785,229	—	472,832,453	1
Kwek Leng Hai	18,851,140	—	—	—	18,851,140	2
Sat Pal Khattar	—	—	10,392,362	—	10,392,362	3

Notes:

1. The total interests of 472,832,453 shares, which represented approximately 77.39% of the total issued share capital of GLL, were ordinary shares of GLL.

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

	Number of shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	36,428,902
Hong Leong Consultancy Services Sdn Bhd ("HLCS")	7,617,087
Guoco Investment Pte Ltd ("GIPL")	328,142,682
Asia Fountain Investment Company Limited ("AFI")	69,042,298
Guoco Investments (Bermuda) Limited ("GIB")	2,529,227
Guoco Assets Sdn Bhd ("GASB")	15,025,033

SUPPLEMENTARY INFORMATION (CONTINUED)

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

(b) Associated Corporations (continued)

GuocoLand Limited ("GLL") (continued)

AFI, GIB, GIPL and GASB were wholly owned subsidiaries of the Company which was 41.88% owned by Guoline Overseas Limited ("GOL"). HLCS was wholly owned by Hong Leong Management Co Sdn Bhd which was in turn wholly owned by HLCM. GOL was wholly owned by Guoline Capital Assets Limited which was in turn wholly owned by HLCM. HLCM was 49.11% owned by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

- The total interests of 18,851,140 shares, which represented approximately 3.09% of the total issued share capital of GLL, were ordinary shares of GLL.
- The total interests of 10,392,362 shares, which represented approximately 1.70% of the total issued share capital of GLL, were ordinary shares of GLL. These interests 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.

Hong Leong Credit Berhad ("HLCB")

Director	Number of shares/underlying shares (Long Position)				Notes
	Personal interests	Family interests	Corporate interests	Total interests	
Quek Leng Chan	11,046,600	—	821,962,954	833,009,554	1
Kwek Leng Hai	916,800	—	—	916,800	2
Tan Lim Heng	245,700	—	—	245,700	3

Notes:

- The total interests of 833,009,554 shares/underlying shares, which represented approximately 80.08% of the total issued share capital of HLCB, comprised 825,620,854 ordinary shares of HLCB, 159,000 underlying shares of listed physically settled options and 7,229,700 underlying shares of other unlisted derivatives.

The corporate interests of 821,962,954 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,476,568
Hong Leong Management Co Sdn Bhd ("HLMC")	263,440
Hong Leong Nominees Sendirian Berhad ("HLNS")	3,600
Guoinvest International Limited ("Guoinvest")	7,229,700
MPI (BVI) Limited ("MPI (BVI)")	4,655,000
Guoco Investments (Bermuda) Limited ("GIB")	37,941,400
Guoco Assets Sdn Bhd ("GASB")	225,393,246

SUPPLEMENTARY INFORMATION (CONTINUED)

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

(b) Associated Corporations (continued)

Hong Leong Credit Berhad ("HLCB") (continued)

GIB and GASB were wholly owned by the Company which was 41.88% owned by Guoline Overseas Limited ("GOL"). MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 61.14% owned by Hong Leong Industries Berhad ("HLI"). HLNS was wholly owned by HLMC which is a wholly owned subsidiary of HLCM. HLI was 59.18% owned by HLCM. Guoinvest was wholly owned by Providence Investments N.V. which was in turn wholly owned by Guoline Capital Assets Limited ("GCA"). GOL was wholly owned by GCA which was in turn wholly owned by HLCM. HLCM was 49.11% owned by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

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

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

Associated Corporations	Number of shares/underlying shares (Long Position)				Notes
	Personal interests	Family interests	Corporate interests	Total interests	
Benchmark Group PLC ("BGP")	—	—	37,524,363	37,524,363	1
Guoman Hotel & Resort Holdings Sdn Bhd ("GHRH")	—	—	277,000,000	277,000,000	2
HLG Asset Management Philippines, Inc ("HLGAM")	—	—	48,000,000	48,000,000	3
Hume Concrete Philippines, Inc ("HCPI")	—	—	100,000	100,000	4
Hume Holdings, Inc ("HHI")	—	—	100,000	100,000	5

SUPPLEMENTARY INFORMATION (CONTINUED)

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

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

Associated Corporations	Number of shares/underlying shares (Long Position)				Notes
	Personal interests	Family interests	Corporate interests	Total interests	
Luck Hock Venture Holdings, Inc. ("LHVHI")	—	—	75,000	75,000	6
McQuay Philippines Sales & Service, Inc. ("MPSS")	—	—	20,000,000	20,000,000	7
OYL Holdings, Inc ("OYLH")	—	—	100,000	100,000	8
Philippine Malaysia Water Consortium, Inc. ("PMWC")	—	—	3,250,000	3,250,000	9
PICOP Holdings, Inc ("PICOPH")	—	—	100,000	100,000	10
Prime Orion Philippines, Inc. ("POPI")	121,000,000	—	866,610,220	987,610,220	11

Notes:

- The total interests of 37,524,363 shares/underlying shares, which represented approximately 38.51% of the total issued share capital of BGP, comprised 33,657,790 ordinary shares of BGP and 3,866,573 underlying shares of listed physically settled options.

These interests comprised the respective direct interests held by:

	Number of shares/underlying shares
Guoline Overseas Limited ("GOL")	2,339
First Capital Holdings (UK) Pte Ltd ("FCH")	37,522,024

FCH was wholly owned by GuocoLand Limited ("GLL") which was 53.09% owned by Guoco Investment Pte Ltd ("GIPL"). GIPL was wholly owned by the Company which was 41.88% owned by GOL. GOL was wholly owned by Guoline Capital Assets Limited ("GCA") which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM was 49.11% owned by HL Holdings Sdn Bhd ("HLH") which was in turn wholly owned by Mr Quek Leng Chan.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

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

2. The total interests of 277,000,000 shares, which represented 100.00% of the total issued share capital of GHRH, were ordinary shares of GHRH.

These interests comprised the respective direct interests held by:

	Number of shares
Cheltenham Investments Pte Ltd ("Cheltenham")	83,100,000
Hong Leong Properties Berhad ("HLPB")	193,900,000

HLPB was 49% owned by HLCB which was 79.28% owned by HLCM. Cheltenham was wholly owned by GLL which was 53.09% owned by GIPL. GIPL was wholly owned by the Company. The respective controlling shareholders of HLCM and the Company as well as their respective percentage controls were shown in Note 1 above.

3. The total interests of 48,000,000 shares, which represented 96.00% of the total issued share capital of HLGAM, were ordinary shares of HLGAM.

These interests comprised the respective direct interests held by:

	Number of shares
DHG Capital Holdings, Inc ("DHG")	27,500,000
HLG Philippines, Inc ("HLGP")	20,500,000

HLGP was wholly owned by HLG Capital Berhad which was 75.00% owned by HLCB. DHG was wholly owned by POPI which was 36.61% owned by the Company. The respective controlling shareholders of the Company and HLCB as well as their respective percentage controls were shown in Notes 1 and 2 above.

4. The total interests of 100,000 shares, which represented 100.00% of the total issued share capital of HCP, were ordinary shares of HCP.

These interests comprised the respective direct interests held by:

	Number of shares
Hume Holdings, Inc ("HHI")	60,000
Hume Philippines, Inc ("HPI")	40,000

HPI was wholly owned by Hume Industries (Malaysia) Berhad ("HIMB") which was 66.92% owned by HLCM. HHI was 80.00% owned by Orion I Holdings Philippines, Inc ("OIHP") which was wholly owned by POPI. The respective controlling shareholders of HLCM and POPI as well as their respective percentage controls were shown in Notes 1 and 3 above.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

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

5. The total interests of 100,000 shares, which represented 100.00% of the total issued share capital of HHI, were ordinary shares of HHI.

These interests comprised the respective direct interests held by:

	Number of shares
OIHP	80,000
HPI	20,000

The respective controlling shareholders of HPI and OIHP and their respective percentage controls were shown in Note 4 above.

6. The total interests of 75,000 shares, which represented 60.00% of the total issued share capital of LHVHI, were ordinary shares of LHVHI.

These interests comprised the respective direct interests held by:

	Number of shares
Orion Land, Inc ("OLI")	25,000
Guoman Philippines, Inc ("GPI")	50,000

GPI was wholly owned by Guoman Hotels Limited ("GHL") which was wholly owned by GHRH. GHRH was 70.00% owned by HLPB. OLI was wholly owned by POPI. The respective controlling shareholders of HLPB and POPI and their respective percentage controls were shown in Notes 2 and 3 above.

7. The total interests of 20,000,000 shares, which represented 100.00% of the total issued share capital of MPSS, were ordinary shares of MPSS.

These interests comprised the respective direct interests held by:

	Number of shares
OIHP	6,000,000
O.Y.L. Holdings, Inc ("OYLH")	6,000,000
O.Y.L. (Philippines) Holdings, Inc ("OYLP")	8,000,000

OYLP was wholly owned by O.Y.L. Overseas Limited ("OYLO") which are in turn wholly owned by O.Y.L. Industries Bhd ("OYLI"). OYLI was 40.96% owned by Hong Leong Secretarial Services Sdn Bhd which was wholly owned by HLMC. OYLH was owned by OYLO and OIHP as to 40.00% and 60.00% respectively. HLMC was wholly owned by HLCM. The respective controlling shareholders of OIHP as well as their respective percentage controls were shown in Note 4 above.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

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

8. The total interests of 100,000 shares, which represented 100.00% of the total issued share capital of OYLH, were ordinary shares of OYLH.

These interests comprised the respective direct interests held by:

	Number of shares
OIHP	60,000
OYLO	40,000

The respective controlling shareholders of OIHP and OYLO as well as their respective percentage controls were shown in Notes 4 and 7 above.

9. The total interests of 3,250,000 shares, which represented 65.00% of the total issued share capital of PMWC, were ordinary shares of PMWC.

These interests comprised the respective direct interests held by:

	Number of shares
OEH	1,000,000
HIMB	2,250,000

OEH was wholly owned by POPI. The respective controlling shareholders of POPI and HIMB as well as their respective percentage controls were shown in Notes 3 and 4 above.

10. The total interests of 100,000 shares, which represented 100.00% of the total issued share capital of PICOPH, were ordinary shares of PICOPH.

These interests comprised the respective direct interests held by:

	Number of shares
OIHP	60,000
HLIH	40,000

HLIH was wholly owned by HLI which was 59.95% owned by HLCM. The controlling shareholder of OIHP as well as its percentage control were shown in Note 4 above.

11. The total interests of 987,610,220 shares, which represented 41.72% of the total issued share capital of POPI, were ordinary shares of POPI.

The corporate interests of 866,610,220 shares comprised the respective direct interests held by:

	Number of shares
Guoco Assets (Philippines), Inc ("GAPI")	451,256,180
Hong Way Holdings, Inc ("HWHI")	415,354,040

HWHI was owned by the Company and GAPI as to 60.00% and 40.00% respectively. GAPI was wholly owned by Guoco Assets Pte Ltd which was in turn wholly owned by the Company. The controlling shareholder of the Company as well as its percentage control were shown in Note 1 above.

SUPPLEMENTARY INFORMATION (CONTINUED)

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

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

Mr Quek Leng Chan was deemed to be interested in the corporate interests of GBP12,501,045 of debentures in Benchmark Group, PLC, which were directly held by:

	Amount of debentures
Guoline Overseas Limited ("GOL")	GBP1,045
First Capital Holdings (UK) Pte Ltd ("FCH")	GBP12,500,000

FCH was wholly owned by GuocoLand Limited which was 53.09% owned by Guoco Investment Pte Ltd ("GIPL"). GIPL was wholly owned by the Company which was 41.88% owned by Guoline Overseas Limited ("GOL"). GOL was 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 HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

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

Save as disclosed above, as at 31 December 2003, none of the directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO required to be disclosed in accordance with the Listing Rules.

SUPPLEMENTARY INFORMATION (CONTINUED)

SHARE OPTIONS

The Company

Executive Share Option Scheme (“ESOS”)

On 6 December 1999, share options for the exercise of an aggregate of 9,800,000 shares at HK\$20.33 per share were granted to certain directors of the Company and employees of the Group pursuant to the ESOS. The closing market price per share on that date was HK\$23.60. As at 1 July 2003, 1,840,000 options were outstanding. During the period, 1,840,000 shares were issued as a result of the exercise of options. There were no outstanding options as at 31 December 2003. Details of the share options granted to directors and employees which remained outstanding during the period are as follows:

Grantee	No. of share options		Exercise period of share option	No. of shares acquired on exercise of share options during the period	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2003	as at 31 December 2003			
Quek Leng Chan	600,000	—	12 November 2003 to 12 February 2004	600,000	55.00
	<u>600,000</u>	<u>—</u>		<u>600,000</u>	
Kwek Leng Hai	600,000	—	12 November 2003 to 12 February 2004	600,000	55.00
	<u>600,000</u>	<u>—</u>		<u>600,000</u>	
Sat Pal Khattar	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00
	<u>60,000</u>	<u>—</u>		<u>60,000</u>	
Kwek Leng San	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00
	<u>60,000</u>	<u>—</u>		<u>60,000</u>	
Tan Lim Heng	200,000	—	12 November 2003 to 12 February 2004	200,000	55.00
	<u>200,000</u>	<u>—</u>		<u>200,000</u>	

SUPPLEMENTARY INFORMATION (CONTINUED)

SHARE OPTIONS (CONTINUED)

The Company (continued)

Executive Share Option Scheme (“ESOS”) (continued)

Grantee	No. of share options		Exercise period of share option	No. of shares acquired on exercise of share options during the period	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2003	as at 31 December 2003			
Harry Richard Wilkinson	60,000	—	12 November 2003 to 12 February 2004	60,000	54.50
	<u>60,000</u>	<u>—</u>		<u>60,000</u>	
James Eng, Jr.	200,000	—	12 November 2003 to 12 February 2004	200,000	55.00
	<u>200,000</u>	<u>—</u>		<u>200,000</u>	
Employee	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00
	<u>60,000</u>	<u>—</u>		<u>60,000</u>	

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

Share Option Scheme

A new share option scheme (the “New Scheme”) was adopted by the Company on 29 November 2001 for the purpose of providing any employee or director of the Company or any of its subsidiaries or associated companies (the “Eligible Employee”) the opportunity of participating in the growth and success of the Group.

No option was granted to any Eligible Employee pursuant to the New Scheme during the period.

SUPPLEMENTARY INFORMATION (CONTINUED)

SHARE OPTIONS (CONTINUED)

The Company (continued)

Share Option Plan

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

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

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

GuocoLand Limited (“GLL”)

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

On 27 April 1999, 5,380,000 options were granted to GLL Employees including executive directors, which are exercisable at S\$2.28 per share. As at 1 July 2003, 3,440,000 options were outstanding. The date of expiration of the options is 26 April 2009. During the period, no options had lapsed. As no additional options were granted pursuant to the Option Scheme and no GLL shares were issued as a result of the exercise of options, the number of outstanding options as at 31 December 2003 remained as 3,440,000.

SUPPLEMENTARY INFORMATION (CONTINUED)

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2003, other than the interests and short positions of the directors of the Company as disclosed above, the persons who had interests or short positions in the shares and underlying shares of 5% or more in the Company's issued share capital as recorded in the register maintained by the Company under Section 336 of the SFO are as follows:

Shareholders	Capacity	Number of shares/ underlying shares (Long Position)	Notes
Government of Kuwait Investment Authority Kuwait Investment Office	Direct interest	71,172,395	
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	150,629,522	1
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	150,629,522	2 & 3
Hong Leong Investment Holdings Pte. Ltd. ("HLInv")	Interest of controlled corporations	150,629,522	2 & 4
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	150,629,522	2 & 5
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	150,629,522	2 & 6
Kwek Leng Kee ("KLK")	Interest of controlled corporations	150,629,522	2 & 7

SUPPLEMENTARY INFORMATION (CONTINUED)

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (CONTINUED)

Notes:

1. These interests, which represented approximately 45.79% of the total issued share capital of the Company, comprised 137,374,315 ordinary shares of the Company and 13,255,207 underlying shares of unlisted cash settled derivatives.

These interests comprised the respective direct interests held by:

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

Guoinvest was wholly owned by Providence Investments N.V. which was in turn wholly owned by Guoline Capital Assets Limited ("GCA"). MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 61.13% owned by Hong Leong Industries Berhad which was in turn 59.95% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLNA and GOL were wholly owned by GCA which was in turn wholly owned by HLCM.

2. The interests of HLCM, HLH, HLInv, KH, Davos and KLK are duplicated.
3. HLH was deemed to be interested in these interests through its controlling interests of 49.11% in HLCM.
4. HLInv was deemed to be interested in these interests through its controlling interests of 34.49% in HLCM.
5. KH was deemed to be interested in these interests through its controlling interests of 48.9% in HLInv.
6. Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLInv.
7. KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

Save as disclosed above, as at 31 December 2003, the Company had not be notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to the Part XV of the SFO or as recorded in the register maintained by the Company under Section 336 of the SFO.

SUPPLEMENTARY INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

In compliance with the Code of Best Practice, the Company has established a Board Audit Committee with written terms of reference. The Board Audit Committee comprises two independent Non-executive Directors, Messrs Harry Richard Wilkinson, Sat Pal Khattar, and the President, CEO and Executive Director, Mr Kwek Leng Hai. The Board Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters including a review of the unaudited interim results for the six months ended 31 December 2003 of the Company.

None of the Directors of the Company is aware of information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as adopted by the Company, at any time during the six months ended 31 December 2003. The provisions in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are in principle incorporated in the Code of Best Practice adopted by the Company, 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 30 March 2004 to 2 April 2004, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the interim dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 29 March 2004.

By Order of the Board
Stella Lo Sze Man
 Company Secretary

Hong Kong, 11 March 2004