

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

1 BASIS OF PRESENTATION

(a) Statement of compliance

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June each year. All material intra-group balances and transactions are eliminated upon consolidation. The Group’s results include, in respect of any subsidiaries acquired during the year, their results attributable to the periods since the dates of acquisition and, in the case of subsidiaries disposed of during the year, their results attributable to the periods up to the dates of disposal.

(c) Basis of preparation of the financial statements

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

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

(i) Interest income

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

(ii) Dividends

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Revenue recognition (Cont'd)

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

(vii) *Insurance premiums*

Premiums are accounted for in the period in which the amount is determined, which is generally the period in which the risk commences.

(viii) *Reinsurance treaty inward business*

Premiums and commission on inward treaty reinsurance business are accounted for on the basis of the latest advice from ceding companies or agents.

(b) Investments

(i) *Investment in securities*

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

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

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

Investment securities

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Investments (Cont'd)

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

Other investments in securities

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

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

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

(ii) *Interest in subsidiaries*

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Interest in subsidiaries is stated in the Company's balance sheet at cost less any impairment losses (see note 2(h)).

(iii) *Interest in associates and jointly controlled entities*

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Goodwill

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

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

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

In respect of any negative goodwill not yet recognised in the consolidated income statement:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(d) Fixed assets and depreciation

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

(e) Investment properties

Investment properties with an unexpired lease terms of more than 20 years are stated in the balance sheet at their open market value. An internal valuation is done annually and an independent professional valuation is made at least once every three years. The net surplus or deficit on revaluation is taken to the investment property revaluation reserve except when the total of the reserve is not sufficient to cover a deficit on an aggregate basis, in which case the amount by which the deficit exceeds the amount in the investment property revaluation reserve is charged to the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the income statement for the year.

(f) Properties held for sale

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

(g) Development properties

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

(h) Impairment of assets

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Impairment of assets (Cont'd)

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

(i) Leased assets

(i) Assets held for use in operating leases

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

(ii) Operating lease charges

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

(j) Long term notes and bonds

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

(k) Cash equivalents

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

NOTES ON THE FINANCIAL STATEMENTS

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2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Deferred taxation

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

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

(m) Insurance funds

Insurance funds represent the estimated proportion of the net written premiums, after reinsurance and acquisition costs where applicable, which relates to periods of risk subsequent to the balance sheet date.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement. The results of foreign subsidiaries, associates and jointly controlled entities are translated into United States dollars at the average exchange rates for the year; balance sheet items are translated into United States dollars at the exchange rates ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(o) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement as incurred.
- (iii) The Group also contributed to retirement schemes of its overseas subsidiaries in accordance with their respective requirements and the contributions thereto are charged to the income statement for the year.
- (iv) When the Group grants employees options to acquire shares of the Company at nil or nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options exercised, equity is increased by the amount of the proceeds received.

(p) Borrowing costs

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Provisions and contingent liabilities

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

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

(r) Off-balance sheet financial instruments

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

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

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

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

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

(s) Related parties

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

(t) Segment reporting

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

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Segment reporting (Cont'd)

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

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

(i) Business segments

The Group comprises the following main business segments:

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

(ii) Geographical segments

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

3 TURNOVER

The principal activity of the Company is investment holding and those of its subsidiaries are set out on Note 16.

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

	The Group	
	2003 \$'000	2002 \$'000
Income from sale of properties	190,193	126,024
Interest income	47,777	60,166
Rental income from properties	13,338	16,424
Gross insurance premiums	13,898	23,060
Dividend income from unlisted securities	11,225	15,005
Dividend income from listed securities	8,389	8,179
Security commission and brokerage	4,252	5,406
Income from sale of investments in securities	3,031	4,050
Other income	7,633	9,174
	<u>299,736</u>	<u>267,488</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

4 OTHER REVENUE AND NET INCOME

(a) Other revenue

	The Group	
	2003 \$'000	2002 \$'000
Interest income from listed securities	1,287	343
Interest income from unlisted securities	146	354
Others	1,232	1,297
	<u>2,665</u>	<u>1,994</u>

(b) Other net income

	The Group	
	2003 \$'000	2002 \$'000
Net realised gains on other investments	68,200	107,198
Net exchange gains	36,335	44,825
Gains on foreign exchange contracts	2,234	2,219
Net profits from dealing investments	—	206
Net profits on disposal of fixed assets	94	144
Net unrealised losses on other investments	(3,592)	(14,179)
Others	9,809	2,105
	<u>113,080</u>	<u>142,518</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at

	The Group	
	2003	2002
	\$'000	\$'000
<i>after charging:</i>		
Staff costs (including retirement scheme contributions of \$890,000 (2002: \$921,000))	20,591	19,574
Depreciation	2,823	2,501
Operating lease charges		
- properties	1,643	2,194
- others	8	16
Amortisation of positive goodwill included in share of profits less losses of associates	1,434	445
Auditors' remuneration	278	254
Impairment loss on properties	—	69,267
Donations	81	68
	<u> </u>	<u> </u>
<i>and crediting:</i>		
Amortisation of negative goodwill	3,027	81
Impairment loss write back on properties	11,449	—
	<u> </u>	<u> </u>
Gross rental income from investment properties	13,338	16,424
Less: direct outgoings	(1,233)	(1,749)
	<u> </u>	<u> </u>
Net rental income	12,105	14,675
	<u> </u>	<u> </u>
Share of profits less losses of associates:		
- listed	41,689	46,360
- unlisted	(1,490)	3,423
	<u> </u>	<u> </u>
	<u>40,199</u>	<u>49,783</u>

NOTES ON THE FINANCIAL STATEMENTS

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6 FINANCE COST

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

Note: The borrowing costs have been capitalised at a rate of 1.71% to 6.125% per annum (2002: 2.16% to 6.15%).

7 TAXATION

(a) Taxation in the consolidated income statement represents:

	The Group	
	2003	2002
	\$'000	\$'000
Hong Kong Profits Tax	7,536	2,618
Overseas taxation	9,932	4,215
Deferred taxation (Note 29)	(3,991)	5,832
	<u>13,477</u>	<u>12,665</u>
Share of associates' taxation	15,436	20,955
	<u>28,913</u>	<u>33,620</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year ended 30 June 2003. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES ON THE FINANCIAL STATEMENTS

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7 TAXATION (Cont'd)

(b) Taxation in the balance sheet represents:

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

8 DIRECTORS' REMUNERATION

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

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

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

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

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

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8 DIRECTORS' REMUNERATION (Cont'd)

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

	The Group	
	2003 Number of directors	2002 Number of directors
\$		
0 - 150,000	6	6
150,001 - 200,000	1	1
450,001 - 500,000	1	—
500,001 - 550,000	—	1
550,001 - 600,000	1	—
700,001 - 750,000	—	1
800,001 - 850,000	—	1
950,001 - 1,000,000	1	—
	<u>10</u>	<u>10</u>

9 EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, three (2002: three) are directors whose remuneration is disclosed in Note 8. The remuneration of the other two (2002: two) individuals is as follows:

	The Group	
	2003 \$'000	2002 \$'000
Salaries, allowances and benefits in kind	697	599
Discretionary bonuses	82	380
Pension contributions	33	35
	<u>812</u>	<u>1,014</u>

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

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

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10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$97,523,000 (2002: \$75,140,000) which has been dealt with in the financial statements of the Company.

11 CHANGES IN ACCOUNTING POLICIES

(i) Translation of financial statements of foreign enterprises

In prior years, the results of foreign enterprises were translated into United States dollars at the rates of exchange ruling at the balance sheet date. With effect from 1 July 2002, in order to comply with SSAP 11 (revised) "Foreign currency translation", the Group translates the results of foreign enterprises at the average exchange rates for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

(ii) Trust accounts

Trust accounts maintained by subsidiaries of the Group to hold clients' monies are no longer recognised in the financial statements. The directors believe that this change of policy will result in a more appropriate presentation in the financial statements. As a result of the new accounting policy, cash and cash equivalents are reduced by \$44.7 million (2002: \$37.6 million), other assets decreased by \$0.6 million (2002: \$0.6 million), and other payables and provisions reduced by \$45.3 million (2002: \$38.2 million). The new accounting policy has been adopted retrospectively and the comparative information has been restated to conform with the current year's presentation.

12 DIVIDENDS

	The Group and the Company	
	2003 \$'000	2002 \$'000
2002: Final dividend paid of HK\$0.70 per share (2001: HK\$0.60 per share)	29,164	24,933
2003: Interim dividend paid of HK\$0.40 per share (2002: HK\$0.40 per share)	16,782	16,625
	<u>45,946</u>	<u>41,558</u>
2003: Proposed final dividend of HK\$0.70 per share (2002: HK\$0.70 per share)	29,373	29,085
	<u>29,373</u>	<u>29,085</u>

The proposed final dividend for the year ended 30 June 2003 of \$29,373,000 (2002: \$29,085,000) is calculated based on 327,211,373 ordinary shares (2002: 324,081,373 ordinary shares) in issue as at 30 June 2003.

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13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$157,096,000 (2002: \$202,656,000) and the weighted average number of 325,839,510 ordinary shares (2002: 367,103,637 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of \$157,076,000 (2002: \$199,750,000) and the weighted average number of 327,660,400 ordinary shares (2002: 370,762,460 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

14 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because that is more relevant to the Group's internal financial reporting.

Business segments

Revenue and expenses

For the year ended 30 June 2003

	Treasury, fund and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Inter- segment elimination \$'000	Total \$'000
Turnover	72,321	190,193	18,045	5,168	14,009	—	299,736
Inter-segment turnover	9,234	—	826	145	164	(10,369)	—
	<u>81,555</u>	<u>190,193</u>	<u>18,871</u>	<u>5,313</u>	<u>14,173</u>	<u>(10,369)</u>	<u>299,736</u>
Contribution from operations	170,038	12,674	12,067	(4,325)	1,976	—	192,430
Unallocated income							7,700
Unallocated expenses							(7,909)
Operating profit before finance cost							192,221
Finance cost							(5,863)
Operating profit							186,358
Profit on disposal of subsidiaries							18,013
Impairment loss write back/ (provided) on properties	(657)	13,055	—	—	(949)	—	11,449
Deficit on revaluation of investment properties	—	—	(74,531)	—	—	—	(74,531)
Provision write back on amount due from a jointly controlled entity	—	1,875	—	—	—	—	1,875
Operating profit on ordinary activities							143,164
Share of profits less losses of associates	37,524	(266)	2,941	—	—	—	40,199
Share of profits less losses of jointly controlled entities	24	—	—	—	—	—	24
Profit from ordinary activities before taxation							183,387
Taxation							(28,913)
Profit after taxation							154,474
Minority interests							2,622
Profit attributable to shareholders							<u>157,096</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

14 SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

Revenue and expenses (Cont'd)

For the year ended 30 June 2002

	Treasury, fund and investment management	Property development	Property investment	Securities, commodities and brokerage	Insurance	Inter- segment elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	92,057	126,024	19,122	6,988	23,297	—	267,488
Inter-segment turnover	12,639	—	818	1,915	412	(15,784)	—
	<u>104,696</u>	<u>126,024</u>	<u>19,940</u>	<u>8,903</u>	<u>23,709</u>	<u>(15,784)</u>	<u>267,488</u>
Contribution from operations	212,461	11,418	13,004	866	(129)	—	237,620
Unallocated income							312
Unallocated expenses							(7,823)
Operating profit before finance cost							230,109
Finance cost							(20,992)
Operating profit							209,117
Profit on disposal of an associate							13,503
Impairment loss on properties	(4,926)	(63,751)	—	—	(590)	—	(69,267)
Deficit on revaluation of investment properties	—	—	(1,452)	—	—	—	(1,452)
Net loss on disposal of investment properties							(13,438)
Operating profit on ordinary activities							138,463
Share of profits less losses of associates	31,683	4,670	13,430	—	—	—	49,783
Share of profits less losses of jointly controlled entities	(231)	—	—	—	—	—	(231)
Profit from ordinary activities before taxation							188,015
Taxation							(33,620)
Profit after taxation							154,395
Minority interests							48,261
Profit attributable to shareholders							<u>202,656</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

14 SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

Assets and liabilities

	Treasury, fund and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Total \$'000
<i>As at 30 June 2003</i>						
Segment assets	3,250,967	641,204	235,849	21,167	14,412	4,163,599
Interest in associates	218,735	29,267	166,138	—	—	414,140
Interest in jointly controlled entities	245	(4,586)	—	—	—	(4,341)
Unallocated assets						45,557
Total assets						<u>4,618,955</u>
Segment liabilities	17,325	326,249	5,039	8,553	9,914	367,080
Unallocated liabilities						336,298
Total liabilities						<u>703,378</u>
<i>As at 30 June 2002</i>						
Segment assets (restated)	3,253,190	664,843	242,904	19,986	59,525	4,240,448
Interest in associates	184,374	30,364	218,205	—	—	432,943
Interest in jointly controlled entities	221	(4,376)	—	—	—	(4,155)
Unallocated assets						44,534
Total assets (restated)						<u>4,713,770</u>
Segment liabilities (restated)	12,176	363,077	7,599	9,082	24,304	416,238
Unallocated liabilities						511,646
Total liabilities (restated)						<u>927,884</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

14 SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

Other information

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

Geographical segments

	Turnover		Operating profit/(loss)	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Hong Kong	87,744	109,633	133,974	208,070
Singapore	200,792	132,530	51,408	(15,025)
Asia (excluding Hong Kong and Singapore)	10,036	24,282	942	15,030
Others	1,164	1,043	34	1,042
	<u>299,736</u>	<u>267,488</u>	<u>186,358</u>	<u>209,117</u>
	Segment assets		Capital expenditure	
	2003 \$'000	2002 \$'000 (restated)	2003 \$'000	2002 \$'000
Hong Kong	3,234,422	3,167,542	1,517	3,286
Singapore	807,284	1,034,609	383	272
Asia (excluding Hong Kong and Singapore)	408,763	291,958	13	154
Others	168,486	219,661	—	—
	<u>4,618,955</u>	<u>4,713,770</u>	<u>1,913</u>	<u>3,712</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 FIXED ASSETS

	The Group			
	Investment properties \$'000	Freehold and leasehold premises \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
<i>Cost or valuation:</i>				
As at 1 July 2002	235,251	23,825	11,211	270,287
Additions	49	146	1,718	1,913
Disposals	—	(351)	(2,630)	(2,981)
Deficit on revaluation	(20,525)	—	—	(20,525)
Exchange adjustments	705	4	(1)	708
As at 30 June 2003	<u>215,480</u>	<u>23,624</u>	<u>10,298</u>	<u>249,402</u>
Representing:				
Cost	—	23,624	10,298	33,922
Valuation - 30 June 2003	215,480	—	—	215,480
	<u>215,480</u>	<u>23,624</u>	<u>10,298</u>	<u>249,402</u>
<i>Accumulated depreciation:</i>				
As at 1 July 2002	—	7,595	6,914	14,509
Charge for the year	—	846	1,977	2,823
Written back on disposal	—	(290)	(2,151)	(2,441)
Impairment loss	—	1,606	—	1,606
Exchange adjustments	—	1	7	8
As at 30 June 2003	<u>—</u>	<u>9,758</u>	<u>6,747</u>	<u>16,505</u>
<i>Net book value:</i>				
As at 30 June 2003	<u>215,480</u>	<u>13,866</u>	<u>3,551</u>	<u>232,897</u>
As at 30 June 2002	<u>235,251</u>	<u>16,230</u>	<u>4,297</u>	<u>255,778</u>

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

	The Group	
	2003 \$'000	2002 \$'000
In Hong Kong:		
- Leasehold with over 50 years unexpired	12,869	14,628
- Leasehold with between 10 years to 50 years unexpired	35,301	36,073
- Leasehold with less than 10 years unexpired	657	1,084
Outside Hong Kong:		
- Leasehold with over 50 years unexpired	180,519	199,696
	<u>229,346</u>	<u>251,481</u>

- (b) The Group's investment properties are located in Hong Kong and Singapore. The properties which are located in Singapore were valued on an open market basis as at 30 June 2003 by DTZ Debenham Tie Leung (SEA) Pte Ltd, an independent firm of professional valuers, who are members of the Singapore Institute of Surveyors and Valuers. The Group's investment properties in Hong Kong were revalued on an open market basis as at 30 June 2003 by Mr Terry Chui, an officer employed by the Group, who is an associate member of the Hong Kong Institute of Surveyors.
- (c) Certain of the Group's investment properties with a book value of \$74 million (2002: \$82 million) were pledged to banks to secure banking facilities granted to the Group.
- (d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes contingent rentals. The gross carrying amounts of investment properties of the Group held for use in operating leases were \$215,480,000 (2002: \$235,251,000).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

16 INTEREST IN SUBSIDIARIES

	The Company	
	2003 \$'000	2002 \$'000
Unlisted shares, at cost	22,502	13,573
Amounts due from subsidiaries	1,084,452	2,017,992
	<u>1,106,954</u>	<u>2,031,565</u>

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
Asia Fountain Investment Company Limited	2 shares of HK\$10 each	—	100	Investment trading
Dao Heng Commodities Limited	100,000 shares of HK\$100 each	—	100	Commodities trading
Dao Heng Enterprises Limited	23,000,000 shares of HK\$1 each	100	—	Investment holding
Dao Heng Fund Management Limited	150,000 shares of HK\$100 each	—	100	Fund management
Dao Heng Insurance Co., Limited	500,000 shares of HK\$100 each	—	100	Insurance
Dao Heng Securities Limited	120,000 shares of HK\$100 each	—	100	Stockbroking
Guoco Management Company Limited	2 shares of HK\$1 each	100	—	Provision of general management services
Guoco Investments (China) Limited	10,000,000 shares of HK\$1 each	100	—	Investment holding

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
A-Z Holdings Pte Ltd	27,000,000 shares of S\$1 each	—	61	Investment holding and property investment
Branmil Holdings Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
Century Square Development Ltd	97,060,000 shares of S\$1 each	—	61	Property investment
Chelford Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
Cheltenham Investments Pte Ltd	500,000 shares of S\$1 each	—	61	Investment holding
Chiltern Park Development Pte Ltd	28,300,000 shares of S\$1 each	—	61	Property development
Da Zhong Investment Pte Ltd	4,000,000 shares of S\$1 each	—	61	Investment holding
First Capital Corporations Realty Pte Ltd (formerly known as Deyrolle Pte Ltd)	2 shares of S\$1 each	—	61	Investment holding
Elias Development Pte Ltd	7,500,000 shares of S\$1 each	—	61	Property development
Everian Holdings Pte Ltd	32,000,000 shares of S\$1 each	—	61	Property development
First Bedok Land Pte Ltd	72,000,000 shares of S\$1 each	—	61	Property development
First Bukit Panjang Land Pte Ltd	71,190,000 shares of S\$1 each	—	61	Property development
First Capital Asia Pte Ltd	19,000,000 shares of S\$1 each	—	61	Investment holding
First Capital Asia Land Pte Ltd	88,000,000 shares of S\$1 each	—	61	Property investment
GuocoLand Limited (formerly known as First Capital Corporation Ltd)	515,147,993 shares of S\$1 each	—	61	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S\$1 each	—	61	Property investment

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
First Cavendish Development Pte Ltd	23,400,000 shares of S\$1 each	—	61	Property development
First Capital Hotels Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
First Capital Investment Ltd	10,000,000 shares of S\$1 each	—	61	Investment trading
First Capital Land Pte Ltd	70,000,000 shares of S\$1 each	—	61	Property investment
First Capital Management Pte Ltd	500,000 shares of S\$1 each	—	61	Provision of management services
First Capital Properties Pte Ltd	10,000,000 shares of S\$1 each	—	61	Property investment
First Capital Assets Pte Ltd	15,000,000 shares of S\$1 each	—	61	Investment holding
First Capital Holdings (HK) Pte Ltd	4,500,000 shares of S\$1 each	—	61	Investment holding
First Capital Holdings (Thailand) Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
Guoco Investment Services Pte Ltd	50,000 shares of S\$1 each	100	—	Provision of management services
Guoco Property Management Pte Ltd	2 shares of S\$1 each	—	61	Property management
Pemberton Limited	200 shares of S\$1 each	—	61	Investment holding
First Capital Holdings (U.K.) Pte Ltd	9,000,000 shares of S\$1 each	—	61	Investment holding
First Capital Holdings Pte Ltd	2 shares of S\$1 each	—	61	Investment holding and trading
First Capital Property Management Pte Ltd	2 shares of S\$1 each	—	61	Property management, marketing and maintenance services
First Capital Realty Pte Ltd	30,000,000 shares of S\$1 each	—	61	Property development
First Changi Development Pte Ltd	44,446,750 shares of S\$1 each	—	55	Property development

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
First Coventry Development Pte Ltd	17,830,000 shares of S\$1 each	—	61	Property development
FCC Equities Pte Ltd	4,500,000 shares of S\$1 each	—	61	Investment holding and trading
First Garden Development Pte Ltd	80,000,000 shares of S\$1 each	—	55	Property development
Fasidon Holdings Pte Ltd	77,112,700 shares of S\$1 each	—	61	Property development
FCC Holdings Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
Fica Nominees Pte Ltd	2 shares of S\$1 each	—	61	Investment holding and provision of nominee services
First Mayer Development Pte Ltd	118,930,000 shares of S\$1 each	—	61	Property development
First Loyang Land Pte Ltd	55,834,697 shares of S\$1 each	—	61	Property development
First Tanglin Land Pte Ltd	25,628,700 shares of S\$1 each	—	61	Property development
Guoco Assets Pte Ltd	2 shares of S\$1 each	100	—	Investment holding
Guoco Investment Pte Ltd	20,000,000 shares of S\$1 each	100	—	Investment holding
Hedover Holdngs Pte Ltd	5,000,000 shares of S\$1 each	—	61	Property investment
Harbour View Development Pte Ltd	13,100,000 shares of S\$1 each	—	61	Property development
Leonie Land Pte Ltd	19,310,000 shares of S\$1 each	—	61	Property development
Melville Park Development Pte Ltd	72,300,000 shares of S\$1 each	—	49	Property development
My Home Online Pte Ltd	10 shares of S\$1 each	—	37	Provider of internet commerce services

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
Rivaldo Investments Pte Ltd	2 shares of S\$1 each	—	61	Investment holding and trading
Sanctuary Land Pte Ltd	60,000,000 shares of S\$1 each	—	55	Property development
Tanamera Development Pte Ltd	20,500,000 shares of S\$1 each	—	61	Property development
Winterhall Pte Ltd	2 shares of S\$1 each	—	61	Investment holding and trading
FCC Net Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
Lilleham Investments Pte Ltd	2 shares of S\$1 each	—	61	Investment holding and trading

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
			Company	Group	
Beijing Minghua Property Development Co., Ltd. (Note(i))	The People's Republic of China	RMB 200,000,000 (Note (ii))	—	46	Property development
DH Capital Management (BVI) Limited (Note (iii))	British Virgin Islands	2 shares of US\$1 each	100	—	Investment holding
Dynamic Sources Group Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	100	—	Investment holding
Guoco Assets (Philippines), Inc.	The Philippines	1,210,000 shares of P100 each	—	100	Investment holding
Guoco Assets Sdn. Bhd.	Malaysia	2 shares of M\$1 each	100	—	Investment holding
Guoco Properties Limited	Bermuda	20,000,000 shares of US\$1 each	—	61	Investment holding
Guoco Securities (Bermuda) Limited (Note (iii))	Bermuda	120,000 shares of US\$0.10 each	100	—	Investment holding

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
			Company	Group	
GL Holdings Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	100	—	Investment holding
Hong Way Holdings, Inc.	The Philippines	100,000 shares of P1 each	60	40	Investment holding
Reunification Properties Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	—	100	Investment holding
Shanghai Xin Hao Zhong Property Development Co., Ltd. (Note (i))	The People's Republic of China	RMB 165,729,917 (Note (ii))	—	60	Property development
Scorewell Corporation (Note (iii))	British Virgin Islands	1 share of US\$1 each	—	100	Investment holding
W.C.H. Limited (Notes (iii) and (iv))	British Virgin Islands	500,000 shares of HK\$1 each	—	100	Property investment
Wanchai Property Investment Limited (Notes (iii) and (iv))	British Virgin Islands	500,000 shares of HK\$1 each	—	100	Property investment
Supreme Goal Investments Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
Capital Intelligence Limited (Note (iii))	Cayman Islands	1 share of US\$1 each	100	—	Investment trading
Checkenden Limited	British Virgin Islands	2 shares of US\$1 each	—	61	Investment holding
First Capital Assets (BVI) Ltd	British Virgin Islands	2 shares of US\$1 each	—	61	Investment holding

Notes:

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

17 INTEREST IN ASSOCIATES

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Unlisted shares, at cost	—	—	—	11,412
Share of net assets				
- Listed shares, overseas	405,019	385,063	—	—
- Unlisted	(321)	36,729	—	—
Goodwill	12,450	7,338	—	—
Amounts due from associates	59,806	66,960	—	4
	<u>476,954</u>	<u>496,090</u>	<u>—</u>	<u>11,416</u>
Less: Impairment loss	(68,051)	(68,519)	—	—
	<u>408,903</u>	<u>427,571</u>	<u>—</u>	<u>11,416</u>

Details of the principal associates are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
			Company	Group	
Benchmark Group Plc	The United Kingdom	97,452,334 shares of 62.5 pence each	—	21	Property investment and development
Camerlin (BVI) Limited	British Virgin Islands	10 shares of US\$1 each	—	25	Investment holding
Camerlin Pte Ltd	Singapore	100,000 shares of S\$1 each	—	25	Investment holding
Crawford Pte Ltd	Singapore	1,000,000 shares of S\$1 each	—	25	Property development
First Capital Property Ventures Pte Ltd	Singapore	100 shares of S\$1 each	—	21	Investment holding
Guoman Hotel & Resort Holdings Sdn. Bhd	Malaysia	277,000,000 shares of M\$1 each	—	18	Investment holding
Hong Leong Credit Berhad	Malaysia	1,039,987,821 shares of M\$1 each	—	25	Financial services and property development
Razgrad Pte Ltd	Singapore	1,000,000 shares of S\$1 each	—	25	Property development
Stockton Investments Pte Ltd	Singapore	10,000 shares of S\$1 each	—	25	Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of US\$1 each	—	25	Investment holding

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

18 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2003 \$'000	2002 \$'000
Share of net assets - unlisted	(1,153)	(1,162)
Amounts due from jointly controlled entities	67,346	69,416
	<u>66,193</u>	<u>68,254</u>
Less: Impairment loss	(70,534)	(72,409)
	<u>(4,341)</u>	<u>(4,155)</u>

Details of jointly controlled entities are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Group	Principal activities
Bushell Limited	Hong Kong	2 shares of HK\$1 each	50	Property development
Hillfield Trading Limited (Note)	British Virgin Islands	2 shares of US\$1 each	50	Investment holding
Regal Trophy Limited (Note)	British Virgin Islands	20 shares of US\$1 each	25	Investment holding
World Glory Properties Limited	Hong Kong	2 shares of HK\$1 each	25	Property development

Note: These companies are operating in Hong Kong.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

19 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Investment securities				
<i>Equity securities</i>				
- Listed outside Hong Kong	83,443	83,154	—	—
- Unlisted	5,659	5,765	—	—
	<u>89,102</u>	<u>88,919</u>	<u>—</u>	<u>—</u>
<i>Club and other debentures</i>	487	487	203	203
	<u>89,589</u>	<u>89,406</u>	<u>203</u>	<u>203</u>
Market value of listed equity securities	<u>68,798</u>	<u>69,873</u>	<u>—</u>	<u>—</u>

Certain listed investment securities with total carrying value of \$76.2 million (2002: \$75.9 million) were pledged with a bank to secure short-term bank loan facilities.

20 GOODWILL

	The Group Negative goodwill \$'000
<i>Cost:</i>	
At 1 July 2002	(812)
Addition through increase in shareholding of a subsidiary	(12,545)
	<u>(13,357)</u>
At 30 June 2003	(13,357)
<i>Accumulated amortisation:</i>	
At 1 July 2002	(81)
Amortisation for the year	(3,027)
	<u>(3,108)</u>
At 30 June 2003	(3,108)
<i>Carrying amount:</i>	
At 30 June 2003	<u>(10,249)</u>
At 30 June 2002	<u>(731)</u>

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

21 DEVELOPMENT PROPERTIES

	The Group	
	2003 \$'000	2002 \$'000
Cost as at 30 June	842,583	795,357
Less: Attributable loss	(32,376)	(28,793)
Less: Impairment loss	(113,735)	(137,560)
Less: Progress instalments received and receivable	(184,183)	(113,078)
	<u>512,289</u>	<u>515,926</u>

The amount of development properties expected to be recovered after more than one year is \$315.5 million (2002: \$372.8 million).

The carrying amounts of development properties were written down based on their estimated selling prices.

Certain of the Group's development properties with an original book value of \$477.7 million (2002: \$474.2 million) are under legal mortgages with banks.

22 PROPERTIES HELD FOR SALE

	The Group	
	2003 \$'000	2002 \$'000
As at 1 July	66,394	75,347
Disposals	(5,821)	(12,840)
	<u>60,573</u>	<u>62,507</u>
Add: Write back for foreseeable loss	368	3,887
As at 30 June	<u>60,941</u>	<u>66,394</u>

23 OTHER ASSETS

	The Group		The Company	
	2003 \$'000	2002 (restated) \$'000	2003 \$'000	2002 \$'000
Accrued interest	2,361	1,401	2,123	1,204
Other accounts	59,885	92,917	51	189
	<u>62,246</u>	<u>94,318</u>	<u>2,174</u>	<u>1,393</u>

Included in the Group's other assets are amounts of \$11.3 million (2002: \$0.9 million) which are expected to be recovered after more than one year.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

24 OTHER INVESTMENTS IN SECURITIES

	The Group	
	2003 \$'000	2002 \$'000
<i>Debt securities</i>		
Listed		
- In Hong Kong	608	552
- Outside Hong Kong	27,637	33,624
	<u>28,245</u>	<u>34,176</u>
Unlisted	—	6,493
	<u>28,245</u>	<u>40,669</u>
<i>Equity securities</i>		
Listed		
- In Hong Kong	37,268	65,657
- Outside Hong Kong (Note)	216,663	154,224
	<u>253,931</u>	<u>219,881</u>
Unlisted	34	1,327,985
	<u>253,965</u>	<u>1,547,866</u>
<i>Unit trust</i>		
Listed		
- In Hong Kong	—	2,775
Unlisted	51,518	2,055
	<u>51,518</u>	<u>4,830</u>
	<u>333,728</u>	<u>1,593,365</u>
Market value of other listed investments in securities		
- Debt securities	28,245	34,176
- Equity securities	253,931	219,881
- Unit trust	—	2,775
	<u>282,176</u>	<u>256,832</u>

Note: No equity security was pledged with a bank to secure short-term bank loan facilities (2002: Certain equity securities with total carrying value of \$67.1 million were pledged with a bank to secure short-term bank loan facilities).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

25 CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Deposits with banks	2,903,206	1,646,246	2,520,675	1,503,846
Cash at bank and in hand	29,746	29,652	5,598	1,982
Cash and cash equivalents in the balance sheet and cash flow statement	2,932,952	1,675,898	2,526,273	1,505,828

26 OTHER PAYABLES AND PROVISIONS

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

Included in other payables of the Group and the Company are amounts of \$5.3 million (2002: \$5.0 million) and \$1.4 million (2002: \$1.4 million) respectively which are expected to be settled after more than one year.

27 CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

At 30 June 2003, the current portion of bank loans and other borrowings are as follows:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Bank loans				
- Secured (Note)	259,028	181,289	—	—
- Unsecured	61,966	92,645	—	—
	320,994	273,934	—	—
Unsecured long term notes and bonds repayable within 1 year	62,420	76,295	—	—
	383,414	350,229	—	—

Note: The bank loans are secured by the following:

- legal mortgages on investment properties (Note 15);
- legal mortgages on development properties (Note 21);
- certain listed investment securities (Note 19); and
- certain other investments in securities (Note 24).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

28 NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

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

Note: The bank loans are secured by the following:

- legal mortgages on investment properties (Note 15);
- legal mortgages on development properties (Note 21);
- certain listed investment securities (Note 19); and
- certain other investment in securities (Note 24).

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

	The Group					
	2003			2002		
	Bank loans \$'000	Other borrowings \$'000	Total \$'000	Bank loans \$'000	Other borrowings \$'000	Total \$'000
Within 1 year or on demand	320,994	62,420	383,414	273,934	76,295	350,229
After 1 year but within 2 years	54,440	45,318	99,758	277,708	62,160	339,868
After 2 years but within 5 years	100,364	15,753	116,117	77,164	27,012	104,176
	<u>154,804</u>	<u>61,071</u>	<u>215,875</u>	<u>354,872</u>	<u>89,172</u>	<u>444,044</u>
	<u>475,798</u>	<u>123,491</u>	<u>599,289</u>	<u>628,806</u>	<u>165,467</u>	<u>794,273</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

29 DEFERRED TAXATION

Movements in deferred taxation comprise:

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

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

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

- (iii) No provision for deferred taxation has been made in the financial statements for taxation which would be payable on the distribution of the Group's share of profits retained by overseas subsidiaries.
- (iv) There is no significant deferred taxation liability not provided for.

30 MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of \$12,056,000 (2002: \$5,440,000).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

31 SHARE CAPITAL

	The Group and the Company			
	2003 No. of shares '000	2003 \$'000	2002 No. of shares '000	2002 \$'000
<i>Authorised:</i>				
Ordinary shares of US\$0.50 each	<u>1,000,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>				
As at 1 July	324,081	162,041	427,091	213,546
Shares issued under executive share option scheme	3,130	1,565	3,990	1,995
Shares repurchased	<u>—</u>	<u>—</u>	<u>(107,000)</u>	<u>(53,500)</u>
As at 30 June	<u>327,211</u>	<u>163,606</u>	<u>324,081</u>	<u>162,041</u>

During the year, 3,130,000 (2002: 3,990,000 share options) share options were exercised to subscribe for 3,130,000 (2002: 3,990,000 shares) shares in the Company at a consideration net of charges of \$8,160,000 (2002: \$10,400,000) of which \$1,565,000 (2002: \$1,995,000) was credited to share capital and the balance of \$6,595,000 (2002: \$8,405,000) was credited to the share premium account.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

32 RESERVES

(a) The Group

	Share premium \$'000	Investment property revaluation reserve \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	General reserve \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2002	—	—	58,837	3,978	—	9,736	3,343,138	3,415,689
Shares issued under executive share option scheme	6,595	—	—	—	—	—	—	6,595
Transfer between reserves	—	—	19,770	—	—	—	(19,770)	—
Share of subsidiaries' and associates' capital reserves movement	—	—	109	—	—	—	—	109
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	—	55	—	—	4,353	—	4,408
Retained profit for the year	—	—	—	—	—	—	111,150	111,150
At 30 June 2003	<u>6,595</u>	<u>—</u>	<u>78,771</u>	<u>3,978</u>	<u>—</u>	<u>14,089</u>	<u>3,434,518</u>	<u>3,537,951</u>
Retained in:								
- Company and subsidiaries								3,442,150
- Associates								111,503
- Jointly controlled entities								(15,702)
								<u>3,537,951</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

32 RESERVES (Cont'd)

(a) The Group (Cont'd)

	Share premium \$'000	Investment property revaluation reserve \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	General reserve \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2001	236,092	26,398	45,861	18,417	77,042	6,016	3,493,456	3,903,282
Shares issued under executive share option scheme	8,405	—	—	—	—	—	—	8,405
Shares repurchased and cancelled	(244,497)	—	—	(14,439)	(77,042)	—	(300,180)	(636,158)
Deficit arising on revaluation of investment properties from								
- subsidiaries	—	(28,882)	—	—	—	—	—	(28,882)
- an associate	—	(866)	—	—	—	—	—	(866)
Reserves realised on disposal by								
- subsidiaries	—	6,397	—	—	—	—	—	6,397
- an associate	—	(5,322)	—	—	—	—	—	(5,322)
Excess deficit arising on revaluation of investment properties charged to consolidated income statement	—	1,452	—	—	—	—	—	1,452
Transfer between reserves	—	—	11,236	—	—	—	(11,236)	—
Share of subsidiaries' and associates' capital reserves movement	—	—	1,295	—	—	—	—	1,295
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	823	445	—	—	3,720	—	4,988
Retained profit for the year	—	—	—	—	—	—	161,098	161,098
At 30 June 2002	—	—	58,837	3,978	—	9,736	3,343,138	3,415,689
Retained in:								
- Company and subsidiaries								3,397,259
- Associates								34,156
- Jointly controlled entities								(15,726)
								3,415,689

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

32 RESERVES (Cont'd)

(b) The Company

	Share premium \$'000	Investment property revaluation reserve \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	General reserve \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2002	—	—	—	—	—	2,320	3,120,716	3,123,036
Shares issued under executive share option scheme	6,595	—	—	—	—	—	—	6,595
Exchange differences on translation of net investments in foreign subsidiaries and associates	—	—	—	—	—	397	—	397
Retained profit for the year	—	—	—	—	—	—	51,577	51,577
At 30 June 2003	<u>6,595</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,717</u>	<u>3,172,293</u>	<u>3,181,605</u>
At 1 July 2001	236,092	—	—	14,439	77,042	—	3,387,314	3,714,887
Shares issued under executive share option scheme	8,405	—	—	—	—	—	—	8,405
Shares repurchased and cancelled	(244,497)	—	—	(14,439)	(77,042)	—	(300,180)	(636,158)
Exchange differences on translation of net investments in foreign subsidiaries and associates	—	—	—	—	—	2,320	—	2,320
Retained profit for the year	—	—	—	—	—	—	33,582	33,582
At 30 June 2002	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,320</u>	<u>3,120,716</u>	<u>3,123,036</u>

Notes:

- (i) The contributed surplus is governed by Section 54 of the Companies Act 1981 of Bermuda.

The contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

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

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

33 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	The Group	
	2003 \$'000	2002 \$'000
Net assets acquired:		
Fixed assets	—	16,422
Investment properties	—	55,667
Other assets	1,941	2,967
Cash and short term funds	3,006	5,143
Other payables and provisions	(479)	(1,228)
Taxation	(1,203)	(49)
Minority interests	2,000	(1,154)
Exchange translation reserve	16	25
	5,281	77,793
Negative goodwill arising on acquisition	(3,770)	—
	1,511	77,793
Total consideration	1,511	77,793
Satisfied by:		
Cash consideration	1,511	77,793

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

	2003 \$'000	2002 \$'000
Cash consideration	(1,511)	(77,793)
Cash at bank and in hand acquired	3,006	5,143
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	1,495	(72,650)

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

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

(c) Disposal of subsidiaries

	The Group	
	2003 \$'000	2002 \$'000
Net assets disposed:		
Fixed assets	93	—
Development properties	29,891	—
Other assets	4,553	—
Cash and short term funds	43,547	—
Other payables and provisions	(16,296)	—
Taxation	(347)	—
Minority interests	(723)	—
Exchange translation reserve	(48)	—
Capital and other reserve	128	—
	<u>60,798</u>	<u>—</u>
Profit on disposal of subsidiaries	18,013	—
	<u>78,811</u>	<u>—</u>
Satisfied by:		
Cash received	78,811	—
	<u>78,811</u>	<u>—</u>

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

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

34 STAFF RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) which has been established under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance in December 2000. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group’s contribution is 10 percent of employees’ monthly salaries and is expensed as incurred.

35 EQUITY COMPENSATION BENEFITS

The Company adopted an executive share option scheme (“ESOS”) on 30 July 1991 to provide eligible employees including directors of the Company or any full-time employees in the services of the Company or a subsidiary of the Group with the opportunity to participate in the growth of the Company thereby achieving the purpose of attracting and motivating the Group’s high calibre and eligible employees. Pursuant to the terms of the ESOS, the directors of the Company might, subject to such conditions as they may think fit, offer to grant options to any eligible employees to subscribe for ordinary shares of US\$0.50 each in the capital of the Company.

The exercise price per share would not be less than 80% of the average of the last dealt prices of the shares on the Stock Exchange on the five business days immediately preceding the date of offer of such share options or the nominal value of the shares, whichever was higher. A nominal consideration of HK\$1 was payable on the acceptance of the share option within 21 days inclusive of and from the date of making such offer. Options could be exercised from the date of grant and ending on the tenth anniversary of the date on which the option was granted.

(a) Movements in share options

	2003 Number	2002 Number
At 1 July	5,090,000	9,140,000
Exercised	(3,130,000)	(3,990,000)
Lapsed	(120,000)	(60,000)
	<u>1,840,000</u>	<u>5,090,000</u>
At 30 June	<u>1,840,000</u>	<u>5,090,000</u>
Options vested at 30 June	<u>1,840,000</u>	<u>5,090,000</u>

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

Date granted	Exercise period	Exercise price	2003 Number	2002 Number
30 July 1991	12 November 1999 to 12 February 2004	HK\$20.33	<u>1,840,000</u>	<u>5,090,000</u>

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

35 EQUITY COMPENSATION BENEFITS (Cont'd)

(d) Details of share options exercised during the year

Exercise date	Exercise price	Market value per share on exercise date	Proceeds received \$'000	Number
12 November 2002	HK\$20.33	HK\$47.50	2,138	820,000
9 December 2002	HK\$20.33	HK\$45.60	156	60,000
16 December 2002	HK\$20.33	HK\$46.50	5,866	2,250,000
			<u>8,160</u>	<u>3,130,000</u>

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

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

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

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

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

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

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

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

36 POST BALANCE SHEET EVENT

On 25 September 2003, the Company and Hong Leong Company (Malaysia) Berhad (“HLCM”), signed a conditional Sale and Purchase Agreement for the proposed disposal of 79,000,394 (owned by the Company’s subsidiaries) and 198,222,563 (owned by HLCM and its subsidiary) Hong Leong Properties Berhad (“HLPB”) shares respectively to GuocoLand Limited (“GLL”) to be satisfied by the issue of 17,554,260 and 44,045,989 new shares respectively by GLL.

The aggregate consideration of approximately RM45 million and RM113 million were calculated based on RM0.57 per HLPB shares and the GLL shares are to be issued based on an issue price of S\$1.18 per GLL share. The Group’s interest in GLL after the transaction will be reduced from 61.48% to 57.96%.

37 CONTINGENT LIABILITIES

As at 30 June 2003, there were contingent liabilities in respect of guarantees given to bankers by the Group and the Company to secure banking facilities to the extent of \$40,124,000 (2002: \$41,590,000) and \$21,159,000 (2002: \$21,154,000) respectively granted to group companies and certain investee companies of the Group.

38 COMMITMENTS

Operating lease arrangements

(i) As lessee

As at 30 June 2003, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group	
	2003 \$'000	2002 \$'000
Within 1 year	1,805	1,800
After 1 year but within 5 years	231	1,896
	2,036	3,696
	2,036	3,696

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

(ii) As lessor

As at 30 June 2003, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	The Group	
	2003 \$'000	2002 \$'000
Within 1 year	1,538	2,769
After 1 year but within 5 years	243	1,558
	1,781	4,327
	1,781	4,327

There were also commitments in respect of foreign currency contracts, currency option and forward rate agreements relating to the normal operations as at 30 June 2003.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

39 MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

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

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

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

(i) Income and expense for the year ended 30 June

	The Group	
	2003	2002
	\$'000	\$'000
Interest income	1,111	1,318

(ii) Balance as at 30 June

	The Group	
	2003	2002
	\$'000	\$'000
Cash and short term funds	149,314	96,056

(b) Management fee

On 21 August 2001, the Company entered into a management services agreement, determinable by either party giving six months' notice, with GOMC Limited (“GOMC”) (formerly Hong Leong Overseas (H.K.) Limited (“HLO”)), a subsidiary of the Company's substantial shareholder, for provision of general management services to the Group by GOMC. The agreement replaced the previous services agreements between GOMC and certain operating subsidiaries of the Group. Total management fees paid and payable to GOMC for the year ended 30 June 2003 amounted to \$5.6 million (2002: \$5.9 million).

(c) Mandatory Provident Fund Scheme

The Group maintains a Mandatory Provident Fund Scheme in which the investment manager and the service provider is a subsidiary of the Company. During the year ended 30 June 2003, the Group made a total contribution of \$0.9 million to the scheme (2002: \$0.9 million).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

40 HONG KONG DOLLAR AMOUNTS

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

41 COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised) "Cash flow statement". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.

Certain comparative figures have also been adjusted as a result of changes in accounting policies as mentioned in Note 11.