1 BASIS OF PRESENTATION

(a) Statement of compliance

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

(b) Basis of consolidation

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

(c) Basis of preparation of the financial statements

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

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

(i) Interest income

- Interest income from loans and advances and bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(ii) Dividends

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Revenue recognition (Cont'd)

(v) Rental income from operating leases is recognised on a straight line basis over the period of the respective leases.

(vi) Commission and brokerage income in respect of securities trading is recognised on a trade date basis when the relevant transactions are executed.

(vii) Insurance premiums

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

(viii) Reinsurance treaty inward business

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

(b) Investments

(i) Investment in securities

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

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

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

Investment securities

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

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

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

Other investments in securities

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Investments (Cont'd)

(ii) Interest in subsidiaries

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

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

(iii) Interest in associates and jointly controlled entities

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

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

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

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

(c) Goodwill

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Goodwill (Cont'd)

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

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

- for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

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

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

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

(d) Fixed assets and depreciation

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

- Freehold land is not depreciated.

- Land held on lease is depreciated over the unexpired terms of the leases on a straight-line basis.

- Buildings and improvements thereto are depreciated at the higher of 2% per annum or over the unexpired terms of the leases on a straight-line basis.

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

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

(e) Investment properties

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Properties held for sale

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

(g) Development properties

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

(h) Impairment of assets

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

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

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

(i) Leased assets

(i) Assets held for use in operating leases

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Leased assets (Cont'd)

(ii) Operating lease charges

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

(j) Long term notes and bonds

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

(k) Cash and cash equivalents

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

(l) Income tax

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Income tax (Cont'd)

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

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

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

(m) Insurance funds

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

(n) Translation of foreign currencies

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

(o) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in the income statement as incurred.

(iii) The Group also contributed to retirement schemes of its overseas subsidiaries in accordance with their respective requirements and the contributions thereto are charged to the income statement for the year.

(iv) When the Group grants employees options to acquire shares of the Company at nil or nominal consideration, no employee benefit cost or obligation is recognised at the date of grant.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Borrowing costs

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

(q) Provisions and contingent liabilities

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

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

(r) Off-balance sheet financial instruments

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

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

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

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

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

(s) Related parties

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Segment reporting

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

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

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

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

(i) Business segments

The Group comprises the following main business segments:

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

(ii) Geographical segments

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

3 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include treasury and investment management, property development and investment, stock and commodities broking and investment advisory (Note 15).

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

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

4 OTHER REVENUE AND NET INCOME

(a) Other revenue

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

(b) Other net income

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

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at

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

6 FINANCE COST

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

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

7 TAXATION

(a) Taxation in the consolidated income statement represents:

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

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year ended 30 June 2005. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

7 TAXATION (Cont'd)

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

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

(c) Taxation in the balance sheet represents:

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

8 DIRECTORS' REMUNERATION

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

	The Group	
	2005	2004
	$'000	$'000
Fees	**305**	250
Salaries, allowances and benefits in kind	**1,691**	1,794
Discretionary bonuses	**3,924**	1,641
Pension contributions	**72**	71
	5,992	3,756

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

	The Group	
	2005	2004
	$'000	$'000
Fees	**127**	83
Salaries, allowances and benefits in kind	**—**	40
	127	123

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

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

8 DIRECTORS' REMUNERATION (Cont'd)

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

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

Notes:

1. Resigned with effect from 7 May 2004
2. Resigned with effect from 14 November 2003
3. Resigned with effect from 12 November 2003

* Non-executive director

** Independent non-executive director

9 EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

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

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

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

	The Group	
	2005	2004
	Number of	Number of
$	**individuals**	individuals
250,001 - 300,000	**—**	—
350,001 - 400,000	**—**	1
400,001 - 450,000	**1**	—
700,001 - 750,000	**1**	—
750,001 - 800,000	**—**	1
	2	2

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $166,117,000 (2004: $66,325,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

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

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

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $415,668,000 (2004: $312,805,000) and the weighted average number of 328,923,149 ordinary shares (2004: 328,365,198 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of $415,552,000 (2004: $312,781,000) and the weighted average number of 328,923,149 ordinary shares (2004: 328,808,118 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

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

13 SEGMENT INFORMATION

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

Business Segments

Revenue and Expenses

For the year ended 30 June 2005

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

13 SEGMENT INFORMATION (Cont'd)

Business Segments (Cont'd)

Revenue and Expenses (Cont'd)

For the year ended 30 June 2004

	Treasury and investment management $'000	Property development $'000	Property investment $'000	Securities, commodities and brokerage $'000	Insurance $'000	Inter-segment elimination $'000	Total $'000
Turnover	1,337,095	164,519	10,545	8,048	13,498	—	1,533,705
Inter-segment turnover	17,449	—	587	104	134	(18,274)	—
	1,354,544	164,519	11,132	8,152	13,632	(18,274)	1,533,705
Contribution from operations	224,036	10,898	6,744	1,296	31	—	243,005
Unallocated income							8,454
Unallocated expenses							(15,960)
Operating profit before finance cost							235,499
Finance cost							(3,901)
Operating profit							231,598
Provision write back on properties	—	10,687	—	—	—	—	10,687
Impairment loss on investment securities	(23,879)	—	—	—	—	—	(23,879)
Reversal of revaluation deficit of investment properties	—	—	13,074	—	—	—	13,074
Profit on disposal of a subsidiary							10,973
Profit on disposal of an associate							37,579
Provision write back on amount due from a jointly controlled entity	—	1,100	—	—	—	—	1,100
Net profit on disposal of investment properties	—	—	1,090	—	—	—	1,090
Operating profit from ordinary activities							282,222
Share of profits less losses of associates	32,225	2,587	12,833	—	—	—	47,645
Profit from ordinary activities before taxation							329,867
Taxation							2,364
Profit after taxation							332,231
Minority interests							(19,426)
Profit attributable to shareholders							312,805

13 SEGMENT INFORMATION (Cont'd)

Business Segments (Cont'd)

Assets and liabilities

	Treasury and investment management $'000	Property development $'000	Property investment $'000	Securities, commodities and brokerage $'000	(Note) Insurance $'000	Total $'000
As at 30 June 2005						
Segment assets	**3,551,923**	**734,259**	**261,369**	**24,391**	**—**	**4,571,942**
Interest in associates	**466,972**	**86,450**	**—**	**—**	**—**	**553,422**
Interest in jointly controlled entities	**—**	**12,651**	**—**	**—**	**—**	**12,651**
Unallocated assets						**52,997**
Total assets						**5,191,012**
Segment liabilities	**32,145**	**363,342**	**5,148**	**9,001**	**—**	**409,636**
Unallocated liabilities						**253,784**
Total liabilities						**663,420**
As at 30 June 2004						
Segment assets	3,625,430	608,041	249,732	22,025	25,793	4,531,021
Interest in associates	198,797	72,139	—	—	—	270,936
Interest in jointly controlled entities	245	(277)	—	—	—	(32)
Unallocated assets						56,532
Total assets						4,858,457
Segment liabilities	1,122	256,615	5,573	7,887	7,585	278,782
Unallocated liabilities						402,109
Total liabilities						680,891

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

13 SEGMENT INFORMATION (Cont'd)

Business Segments (Cont'd)

Other information

	Treasury and investment management $'000	Property development $'000	Property investment $'000	Securities, commodities and brokerage $'000	Insurance $'000	Total $'000
2005						
Capital expenditure incurred during the year	**304**	**288**	**—**	**82**	**91**	**765**
Depreciation and amortisation for the year	**(6,233)**	**(13,010)**	**—**	**177**	**238**	**(18,828)**
2004						
Capital expenditure incurred during the year	311	301	—	14	893	1,519
Depreciation and amortisation for the year	(3,628)	(868)	—	312	482	(3,702)

Geographical Segments

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

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

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

14 FIXED ASSETS

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

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

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

14 FIXED ASSETS (Cont'd)

(b) The Group's investment properties are located in Hong Kong and Singapore. The properties which are located in Singapore were valued on an open market basis as at 30 June 2005 by DTZ Debenham Tie Leung (SEA) Pte Ltd, an independent firm of professional valuers, who are members of the Singapore Institute of Surveyors and Valuers. The properties in Hong Kong were revalued on an open market basis as at 30 June 2005 by Mr. Terry Chui, an officer employed by the Group, who is an associate member of the Hong Kong Institute of Surveyors.

(c) Certain of the Group's investment properties with a book value of $74 million (2004:$71 million) were pledged to banks to secure banking facilities granted to the Group.

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes contingent rentals. The gross carrying amounts of investment properties of the Group held for use in operating leases were $218,680,000 (2004: $229,909,000).

15 INTEREST IN SUBSIDIARIES

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

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Asia Fountain Investment Company Limited	2 shares of HK$10 each	—	100	Investment trading
Dao Heng Commodities Limited	100,000 shares of HK$100 each	—	100	Commodities broking
Dao Heng Enterprises Limited	23,000,000 shares of HK$1 each	100	100	Investment holding
Dao Heng Securities Limited	120,000 shares of HK$100 each	—	100	Stockbroking and securities trading
Guoco Management Company Limited	2 shares of HK$1 each	100	100	Provision of general management services
Guoco Investments (China) Limited	10,000,000 shares of HK$1 each	100	100	Investment holding
Guo Xiang Property Co., Limited	10,000 shares of HK$1 each	—	62	Investment holding and agency services

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (Cont'd)

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

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

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (Cont'd)

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

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

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (Cont'd)

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

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

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Pemberton Limited	200 shares of S$1 each	—	62	Investment holding
Rivaldo Investments Pte Ltd	2 shares of S$1 each	—	62	Investment holding and trading
Sanctuary Land Pte Ltd	60,000,000 shares of S$1 each	—	56	Property development
Tanamera Development Pte Ltd	20,500,000 shares of S$1 each	—	62	Property development
Winterhall Pte Ltd	71,000,000 shares of S$1 each	—	62	Investment holding and trading

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

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

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (Cont'd)

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

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

Notes:

(i) These companies have a financial year end of 31 December.

(ii) These comprise capital contribution to the companies. These companies have a defined period of existence.

(iii) These companies are operating in Hong Kong.

(iv) These companies have issued and paid up preference share capital of 4,500,000 shares of HK$1 each.

16 INTEREST IN ASSOCIATES

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

Details of the principal associates are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Group	Principal activities
BIL International Limited	Bermuda	1,368,063,633 shares of $0.2 each	19	Hotel and property management
Crawforn 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	22	Investment holding
GuocoLand (Malaysia) Berhad (formerly known as Hong Leong Properties Berhad)	Malaysia	700,458,418 shares of M$0.5 each	28	Investment holding
Guoman Hotel & Resort Holdings Sdn Bhd	Malaysia	277,000,000 shares of M$1 each	19	Investment holding
Hong Leong Credit Berhad	Malaysia	1,040,722,242 shares of M$1 each	26	Financial services and property development
Razgrad Pte Ltd	Singapore	1,000,000 shares of S$1 each	25	Property development
Stockton Investments Pte Ltd	Singapore	10,000 shares of S$1 each	24	Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of $1 each	25	Investment holding

17 INTEREST IN JOINTLY CONTROLLED ENTITIES

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

Details of jointly controlled entities are as follows :

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

Note: These companies are operating in Hong Kong.

18 ACQUISITION OF SUBSIDIARIES

(a) The Group acquired 61.4% interest in Camerlin Group Berhad ("CGB") during the year for consideration of $72,536,000. Negative goodwill of $28,251,000 has been recognised immediately in the consolidated income statement. CGB is an investment holding company. For the year ended 30 June 2005, CGB contributed net profit of $3,640,000 to the consolidated net profit.

(b) The Group acquired 61.8% interest in Beijing Jiang Sheng Property Development Co., Ltd ("BJSPD") during the year for $29,936,000, satisfied in cash. The principal activity of BJSPD is property development. For the year ended 30 June 2005, net loss of $61,000 in BJSPD was recognised in the consolidated income statement.

18 ACQUISITION OF SUBSIDIARIES (Cont'd)

(c) Net assets acquired

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

19 OTHER NON-CURRENT FINANCIAL ASSETS

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

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

20 GOODWILL

	The Group
	Negative goodwill $'000
Cost :	
At 1 July 2004	(24,332)
Addition arising on acquisition of a subsidiary	(2,060)
At 30 June 2005	(26,392)
Accumulated amortisation:	
At 1 July 2004	(9,625)
Amortisation for the year	(8,899)
At 30 June 2005	(18,524)
Carrying amount:	
At 30 June 2005	(7,868)
At 30 June 2004	(14,707)

Negative goodwill arising from business combinations with the agreement dates before 1 January 2005 is recognised as income on a straight-line basis over 3 years. The amortisation of negative goodwill for the year is included in "administrative and other operating expenses" in the consolidated income statement.

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

21 DEVELOPMENT PROPERTIES

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

The amount of development properties expected to be recovered after more than one year is $53.2 million (2004: $235.2 million).

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

Certain of the Group's development properties with an original book value of $443.8 million (2004: $370.4 million) are under legal mortgages with banks.

22 PROPERTIES HELD FOR SALE

	The Group	
	2005	2004
	$'000	$'000
As at 1 July	**59,366**	60,941
Additions	**99,739**	—
Disposals	**(10,738)**	(1,692)
	148,367	59,249
Add : Provision write back for foreseeable loss	**672**	117
As at 30 June	**149,039**	59,366

23 OTHER ASSETS

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

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

24 OTHER INVESTMENTS IN SECURITIES

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

25 CASH AND SHORT TERM FUNDS

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

26 OTHER PAYABLES AND PROVISIONS

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

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

27 CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

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

Note : The bank loans are secured by the following :
- legal mortgages on investment properties (Note 14);
- legal mortgages on development properties (Note 21); and
- certain listed investment securities (Note 19).

28 NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

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

Note : The bank loans are secured by the following :
- legal mortgages on investment properties (Note 14);
- legal mortgages on development properties (Note 21); and
- certain listed investment securities (Note 19).

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

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

29 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

(i) The Group

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

Deferred tax arising from:	Depreciation allowance in excess of related depreciation $'000	Revaluation of properties $'000	Timing difference on development properties $'000	General provision for bad and doubtful debts $'000	Tax losses $'000	Others $'000	Total $'000
As at 1 July 2004	(3)	1,802	4,872	(14)	(1,046)	59	5,670
Credited to consolidated income statement	(39)	—	(1,035)	—	(43)	—	(1,117)
Others	(76)	—	—	14	—	—	(62)
	(118)	1,802	3,837	—	(1,089)	59	4,491
Exchange adjustments	1	38	—	—	(1)	1	39
As at 30 June 2005	(117)	1,840	3,837	—	(1,090)	60	4,530
As at 1 July 2003							
- as previously reported	—	1,930	6,889	—	—	92	8,911
- prior period adjustments	195	—	—	(14)	(1,125)	—	(944)
- as restated	195	1,930	6,889	(14)	(1,125)	92	7,967
Charged/(credited) to consolidated income statement	(161)	(175)	(2,078)	—	42	(35)	(2,407)
Others	(38)	—	—	—	38	—	—
	(4)	1,755	4,811	(14)	(1,045)	57	5,560
Exchange adjustments	1	47	61	—	(1)	2	110
As at 30 June 2004	(3)	1,802	4,872	(14)	(1,046)	59	5,670

	2005 $'000	2004 $'000
Net deferred tax assets recognised on the balance sheet	**(1,207)**	(1,125)
Net deferred tax liabilities recognised on the balance sheet	**5,737**	6,795
	4,530	5,670

29 DEFERRED TAXATION (Cont'd)

(b) Deferred tax assets unrecognised:

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

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Deductible temporary differences	**169,450**	174,527	—	—
Tax losses	**117,463**	135,183	—	327
	286,913	309,710	—	327

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

30 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

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

31 MINORITY INTERESTS

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

32 SHARE CAPITAL

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

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

33 RESERVES

(a) The Group

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

33 RESERVES (Cont'd)

(a) The Group (Cont'd)

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

33 RESERVES (Cont'd)

(b) The Company

	Share premium $'000	Capital and other reserves $'000	Contributed surplus $'000	ESOP reserve $'000	Exchange translation reserve $'000	Retained profit $'000	Total $'000
At 1 July 2004	10,493	—	—	—	6,133	3,192,048	3,208,674
Exchange differences on translation of net investments in foreign subsidiaries	—	—	—	—	3,367	—	3,367
Retained profit for the year	—	—	—	—	—	22,528	22,528
At 30 June 2005	10,493	—	—	—	9,500	3,214,576	3,234,569
At 1 July 2003	6,595	—	—	—	2,717	3,172,293	3,181,605
Shares issued under executive share option scheme	3,898	—	—	—	—	—	3,898
Exchange differences on translation of net investments in foreign subsidiaries	—	—	—	—	3,416	—	3,416
Retained profit for the year	—	—	—	—	—	19,755	19,755
At 30 June 2004	10,493	—	—	—	6,133	3,192,048	3,208,674

Notes:

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

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

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

(iii) The capital and other reserves and the exchange translation reserve have been set up and will be dealt with in accordance with the Group's accounting policies.

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

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

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

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

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

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

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

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

(c) Disposal of a subsidiary:

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

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

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

35 STAFF RETIREMENT SCHEME

The Company and its subsidiaries in Hong Kong operate a Mandatory Provident Fund Scheme ("MPF Scheme") which has been established under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance in December 2000. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group's contribution is 10 percent or 5 percent of employees' monthly salaries and is expensed as incurred.

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

36 EQUITY COMPENSATION BENEFITS

The Company adopted a share option scheme (the "Share Option Scheme") on 29 November 2001 for the purpose of providing any employees or directors of the Company or any of its subsidiaries or associated companies (the "Eligible Employee") the opportunity of participating in the growth and success of the Group.

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

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

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

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

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

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

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

37 CONTINGENT LIABILITIES

As at 30 June 2005, neither the Group nor the Company had any contingent liabilities. As at 30 June 2004, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of $20,461,000 granted to certain investee companies of the Group.

38 COMMITMENTS

Operating lease arrangements

(i) As lessee

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

	The Group	
	2005	2004
	$'000	$'000
Within 1 year	**931**	993
After 1 year but within 5 years	**516**	1,386
	1,447	2,379

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

(ii) As lessor

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

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

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

39 MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

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

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

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

(i) Income for the year ended 30 June

	The Group	
	2005	2004
	$'000	$'000
Interest income	**1,474**	2,075

(ii) Balance as at 30 June

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

(b) Management fee

On 21 August 2001, the Company entered into a management services agreement, determinable by either party giving six months' notice, with GOMC Limited ("GOMC"), a subsidiary of HLCM, for provision of general management services to the Group by GOMC. Total management fees paid and payable to GOMC for the year ended 30 June 2005 amounted to $13.4 million (2004: $9.5 million).

(c) Sale and purchase of subsidiaries

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

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

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

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

40 POST BALANCE SHEET EVENTS

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

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

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

41 FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

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

At present, the Group's equity and debt securities which are intended to be held on a continuing basis for an identified long term purpose at the time of acquisition are stated in the balance sheet at cost less any provisions for diminution in value which is other than temporary. The provision being made is recognised as an expense in the income statement.

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

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

42 HONG KONG DOLLAR AMOUNTS

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

43 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30 June 2005 to be Hong Leong Company (Malaysia) Berhad, which is incorporated in Malaysia.