

2010

ANNUAL  
REPORT



國浩集團有限公司

**Guoco Group Limited**

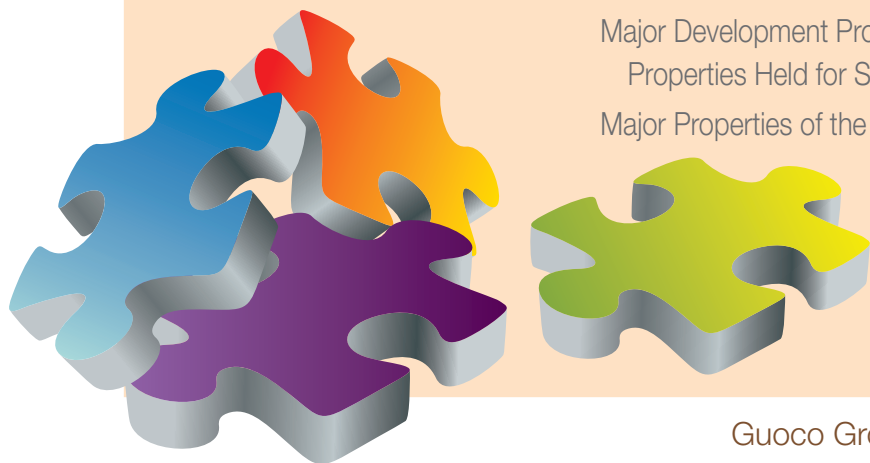
A Member of the Hong Leong Group  
(Stock Code: 53)



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Please visit our website at <http://www.guoco.com> and click into "INVESTOR RELATIONS" and "Annual & Interim Reports" to view the on-line version of this Annual Report.

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## Corporate Information

(As at 27 August 2010)

### Board of Directors

#### Executive Directors

Quek Leng Chan – *Executive Chairman*

Kwek Leng Hai – *President, CEO*

Tan Lim Heng

Ding Wai Chuen

#### Non-executive Director

Kwek Leng San

#### Independent Non-executive Directors

Sat Pal Khattar

Volker Stoeckel

Roderic N. A. Sage

### Board Audit Committee

Sat Pal Khattar – *Chairman*

Volker Stoeckel

Roderic N. A. Sage

### Board Remuneration Committee

Quek Leng Chan – *Chairman*

Volker Stoeckel

Roderic N. A. Sage

### Chief Financial Officer

Allan Tsang Cho Tai

### Company Secretary

Stella Lo Sze Man

### Place of Incorporation

Bermuda

### Registered Office

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

### Principal Office

50th Floor, The Center

99 Queen's Road Central

Hong Kong

Telephone : (852) 2283 8833

Fax : (852) 2285 3233

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

### Branch Share Registrars

Computershare Hong Kong

Investor Services Limited

Shops 1712-16

17th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

## FINANCIAL CALENDAR

Annual results announcement	27 August 2010
Closure of Register of Members	19 October 2010 to 22 October 2010
Annual General Meeting	22 October 2010
Final dividend of HK\$2.00 per share payable on	8 November 2010
Interim results announcement	1 March 2010
Closure of Register of Members	16 March 2010 to 19 March 2010
Interim dividend of HK\$0.80 per share paid on	22 March 2010

## Corporate Profile



Guoco Group Limited (“Guoco”) (Stock Code: 53), listed on The Stock Exchange of Hong Kong Limited, is an investment holding and investment management company with the vision of achieving long term sustainable returns for its shareholders and creating prime capital value.

Guoco’s operating subsidiary companies and investment activities are principally located in Hong Kong, China, Singapore, Malaysia, Vietnam and the United Kingdom. Guoco has four core businesses, namely, Principal Investment; Property Development and Investment; Hospitality and Leisure Business; and Financial Services.

### Principal Investment

Our Principal Investment business, leveraging on years of experience and success as an investor, has been built up into a core business of the Group with a team of well-trained and experienced investment professionals covering equity and direct investments as well as treasury operations. Ongoing resources are allocated to enhance our investment infrastructure. This includes synergistic analytical tools, risk management system, as well as management information system to facilitate the growth of our Principal Investment activities.

Our portfolio and strategic investments cover global capital markets, and we invest in business and industries where our management knowledge and competencies can enhance creation of capital value in line with Guoco’s vision to achieve superior long-term sustainable returns for shareholders.

Our treasury division focuses on global economic conditions, forex and interest rate trends and strategic trading ideas. It also manages major financial exposures of the Group and hedging proposals to manage the Group’s liquid assets.

Treasury and investment management teams have been organized regionally to harness the group resources under three investment offices, namely Hong Kong, Singapore and Malaysia to enable us to select and validate appropriate investments that meet the Group’s target valuation benchmarks and whose potential satisfies its demanding investment criteria.

### Property Development and Investment

**GuocoLand Limited** (“GLL”) is the Group’s property arm listed in Singapore. This 65% owned subsidiary is a major property development and investment company based in Singapore with operations in the key geographical markets of Singapore, China, Malaysia and Vietnam. To date, GLL has developed and sold 29 residential projects in Singapore, producing more than 8,300 apartments and homes. In China, GLL has established a strong presence and built a solid portfolio of quality assets with a landbank of approximately 2 million square metres in the major cities of Beijing, Shanghai, Nanjing and Tianjin.

In Malaysia, GLL has established an embedded property operation via its Malaysia listed subsidiary, GuocoLand (Malaysia) Berhad, with property development, property investment as well as hotel and resort holdings business. In Vietnam, GLL is developing its first integrated project on a 17.5 hectare site located next to the Vietnam Singapore Industrial Park in Binh Duong Province, one of Vietnam’s leading provinces in socio-economic development and per capital income.



## Hospitality and Leisure Business

**GuocoLeisure Limited** (“GL”) is the Group’s 65% subsidiary in the Hospitality and Leisure Business. It has a primary listing on the Main Board of Singapore Exchange Securities Trading Limited with secondary listings on the London and New Zealand Exchanges. GL’s core operating assets include the Guoman Hotels group (“Guoman”) and Clermont Leisure (UK) (“Clermont Leisure”) in the United Kingdom and rights to a royalty stream from the production of oil and gas in the Bass Strait in Australia.

Guoman owns, leases or manages 37 hotels (8,400 rooms) in the United Kingdom under 2 brands, the international deluxe “Guoman” brand, which now consists of 4 major Central London landmark hotels with over 2,300 rooms, and the four-star “Thistle” brand in 33 properties with 6,100 rooms in London and the regions.

Guoman has also been expanding its hotel management business into Asia. Currently, it manages a newly-opened Guoman hotel in Shanghai and two Thistle hotels in Malaysia and it has plans to add further properties to its estate in Asia in the next few years.

Clermont Leisure is a licensed casino operator in the United Kingdom. It currently operates the prestigious Clermont Club in Mayfair, London.

The Bass Strait royalty is a stream of royalty receipts derived from the production of oil and gas in the Bass Strait in Australia. This asset continues to produce a steady stream of income and cash for the GL Group.

**The Rank Group Plc** (“Rank”), the Group’s 29% associated company, is a leading European gaming and betting company, headquartered in Great Britain and listed on the London Stock Exchange.

Rank’s businesses comprise a number of established brands in gaming and leisure in Great Britain, Spain and Belgium, including Mecca Bingo, a leading operator of bingo clubs in Great Britain; Grosvenor Casinos, an operator of casinos under the Grosvenor and G Casinos brands in Great Britain and two other casinos in Belgium; Top Rank Espana which operates 11 premium bingo clubs in Spain; and Rank Interactive which is a remote gaming and betting business, principally comprising meccabingo.com, bluesq.com (sports betting and gaming) and GCasino.com.

## Financial Services

**Hong Leong Financial Group Berhad** (“HLFG”), the Group’s 25% associated company, is an integrated financial services group listed in Malaysia. HLFG’s commercial banking subsidiary is Hong Leong Bank Berhad (“HLB”) (listed in Malaysia) which has 186 branches in Malaysia with overseas branches in Singapore, Hong Kong and a subsidiary in Vietnam, providing comprehensive services in personal financial services, treasury, corporate and commercial banking. HLB has also a presence in China via an interest of 20% in the Bank of Chengdu Co, Ltd (“BOCD”) and 49% in Sichuan Jincheng Consumer Finance Limited Company, a joint venture company between BOCD and HLB.

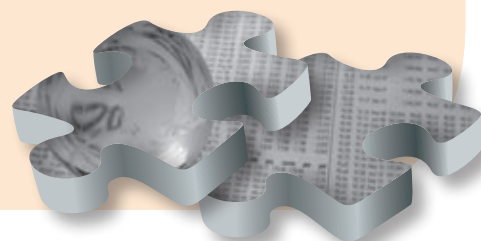
HLB’s Islamic banking subsidiary, namely Hong Leong Islamic Bank Berhad focuses on Syariah-compliant commercial banking, Islamic wholesale and investment banking as well as Islamic wealth management.

HLFG’s insurance interests are made up of Hong Leong Assurance Berhad which provides both life and general insurance services in Malaysia, Hong Leong Insurance (Asia) Limited which provides general insurance business in Hong Kong and Hong Leong Tokio Marine Takaful Berhad focusing on takaful insurance.

HLFG’s other financial services interests are held through HLG Capital Berhad (listed in Malaysia) whose subsidiaries include Hong Leong Investment Bank Berhad which provides investment banking, stockbroking and futures broking and Hong Leong Asset Management Berhad which provides asset management and unit trust services.

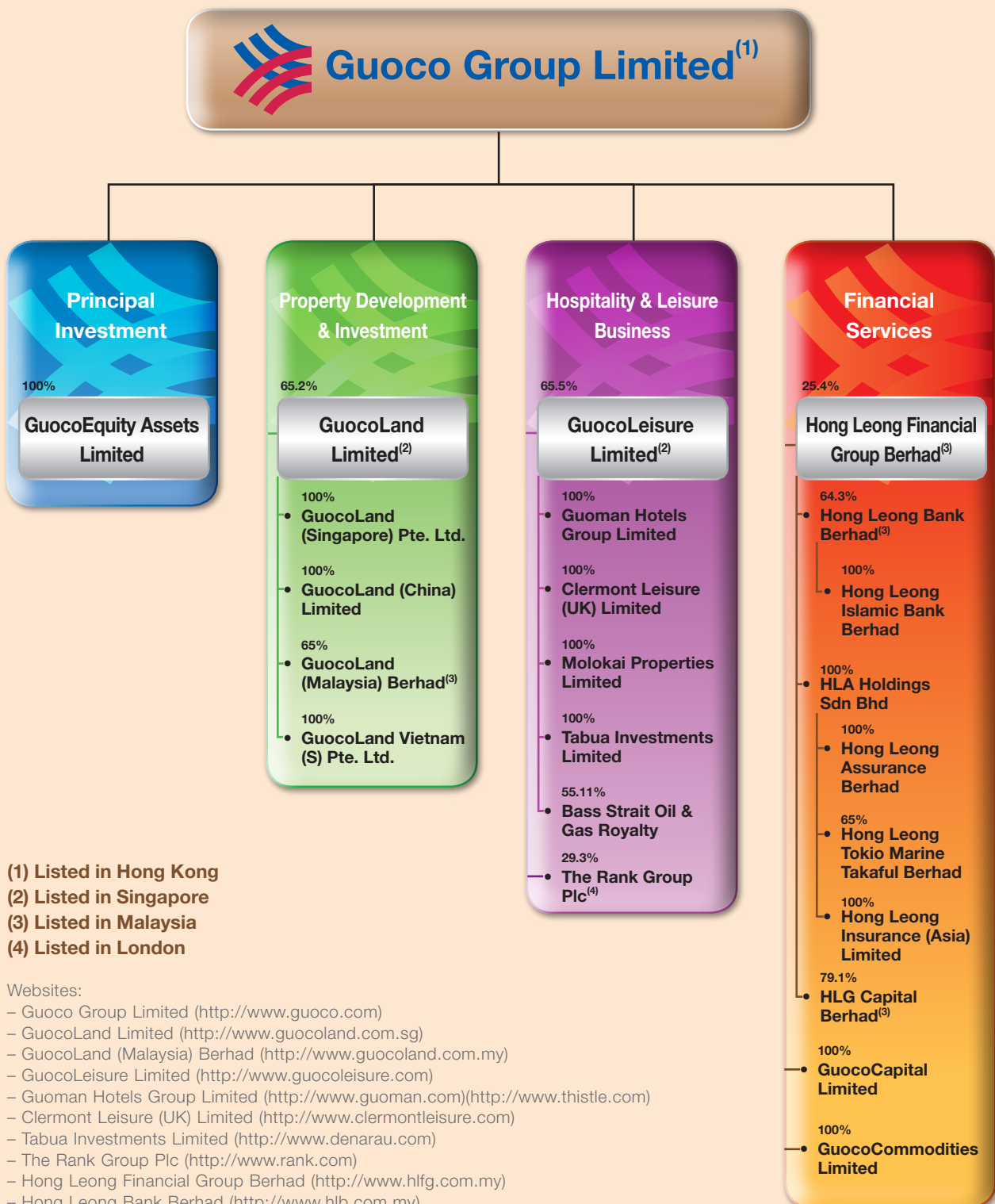
Currently, the HLFG Group employs over 7,000 employees to deliver quality and competitive financial products and services to customers in Malaysia, Singapore, Hong Kong, Vietnam and China.

The Group also operates stock and futures broking and corporate advisory business in Hong Kong through its wholly-owned subsidiaries, GuocoCapital Limited and GuocoCommodities Limited.



# Corporate Organisation Chart

(As at 27 August 2010)



(1) Listed in Hong Kong

(2) Listed in Singapore

(3) Listed in Malaysia

(4) Listed in London

Websites:

- Guoco Group Limited (<http://www.guoco.com>)
- GuocoLand Limited (<http://www.guocoland.com.sg>)
- GuocoLand (Malaysia) Berhad (<http://www.guocoland.com.my>)
- GuocoLeisure Limited (<http://www.guocoleisure.com>)
- Guoman Hotels Group Limited (<http://www.guoman.com>)(<http://www.thistle.com>)
- Clermont Leisure (UK) Limited (<http://www.clermontleisure.com>)
- Tabua Investments Limited (<http://www.denarau.com>)
- The Rank Group Plc (<http://www.rank.com>)
- Hong Leong Financial Group Berhad (<http://www.hlfng.com.my>)
- Hong Leong Bank Berhad (<http://www.hlb.com.my>)
- Hong Leong Islamic Bank Berhad (<http://www.hlisb.com.my>)
- Hong Leong Assurance Berhad (<http://www.hla.com.my>)
- Hong Leong Tokio Marine Takaful Berhad (<http://www.hltmt.com.my>)
- Hong Leong Insurance (Asia) Limited (<http://www.hl-insurance.com>)
- HLG Capital Berhad (<http://www.hlgcap.com.my>)
- GuocoCapital Limited (<http://www.guococap.com>)
- GuocoCommodities Limited (<http://www.guococom.com>)



## Biographical Details of Directors and Senior Management

**Quek Leng Chan**, aged 67, has been the Executive Chairman of Guoco Group Limited (“Guoco”) since 1990 and is the Chairman of the Board Remuneration Committee (“BRC”) of Guoco. He is the Chairman & CEO and a shareholder of Hong Leong Company (Malaysia) Berhad (“HLCM”), the ultimate holding company of Guoco. Mr Quek is the Chairman of HL Holdings Sdn Bhd (a deemed substantial shareholder of Guoco), which is wholly owned by him. He is a director and shareholder of Davos Investment Holdings Private Limited and a director of Hong Leong Investment Holdings Pte Ltd, both of which are deemed substantial shareholders of Guoco. He holds directorships in Guoco’s key listed subsidiaries and associated companies, including as a director of GuocoLand Limited (“GLL”); as the Executive Chairman of GuocoLeisure Limited (“GL”) and GuocoLand (Malaysia) Berhad; and as the Chairman of Hong Leong Financial Group Berhad, Hong Leong Bank Berhad (“HLB”) and HLG Capital Berhad. He is also the Executive Chairman of other Malaysian listed public companies, namely Hong Leong Industries Berhad (“HLI”) and Narra Industries Berhad. On 1 August 2010, Mr

Quek resigned as Executive Chairman and a director of Hume Industries (Malaysia) Berhad which was privatised in April 2010. He qualified as a Barrister-at-Law from Middle Temple, United Kingdom and has extensive business experience in various business sectors, including financial services, manufacturing and real estate. He is a brother of Messrs Kwek Leng Hai and Kwek Leng San and a cousin of Mr Kwek Leng Kee, a deemed substantial shareholder of Guoco.

**Kwek Leng Hai**, aged 57, is the President, CEO of Guoco and has been an Executive Director of Guoco since 1990. He holds directorships in the Group’s key subsidiaries and associated companies including GLL, GL, HLB and Bank of Chengdu Co., Ltd. He also serves as the Chairman of Lam Soon (Hong Kong) Limited (“LSHK”), a Hong Kong listed subsidiary of HLCM. He is also a director and shareholder of HLCM. Mr Kwek qualified as a chartered accountant of the Institute of Chartered Accountants in England and Wales. He is a brother of Messrs Quek Leng Chan and Kwek Leng San and a cousin of Mr Kwek Leng Kee.

**Tan Lim Heng**, aged 62, joined GuocoCapital Limited and GuocoCommodities Limited, wholly owned subsidiaries of Guoco, as the Managing Director in 1990, and has been an Executive Director of Guoco since 1996. He also serves as a non-executive director of LSHK. Mr Tan holds a Bachelor of Science first class honours degree in engineering from University of Surrey and a Master of Science degree in management from Massachusetts Institute of Technology. He had also previously worked in Geneva in 1974 with the United Nations Conference on Trade and Development. Prior to joining Guoco, he had served in the Singapore Civil Service as a Colombo Plan Scholar 1975-1978 before coming to work in Hong Kong with a financial services company and a major U.S. bank. Mr Tan has extensive experience in property investment, financial and investment management services.



## Biographical Details of Directors and Senior Management

**Ding Wai Chuen**, aged 50, was re-designated as an Executive Director of Guoco since September 2009. He was previously an Independent Non-executive Director of Guoco appointed since 2006. He also serves as a non-executive director of LSHK.

Mr Ding is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Mr Ding is currently a council member of the HKICPA.

Mr Ding has over 25 years of experience as a professional accountant with international firms of accountants in England and in Hong Kong and with the HKICPA. In 2007, Mr Ding was appointed by the Hong Kong SAR Government as a member of the Financial Reporting Review Panel of the Financial Reporting Council (“FRC”). Since 2002, Mr Ding has been appointed by the PRC Ministry of Finance as a member of the Advisory Group of Foreign Experts for the development of PRC’s Independent Auditing Standards. Since the beginning of 2007, he has been involved, as an advisor to the HKICPA, in the joint projects

between HKICPA and PRC Ministry of Finance for the comparison of Hong Kong and PRC accounting and auditing standards. Mr Ding is a member of Railway Objections Hearing Panel.

**Kwek Leng San**, aged 55, a Non-executive Director of Guoco since 1990. He is the President & Chief Executive Officer of HLI, Executive Chairman of Malaysian Pacific Industries Berhad, Managing Director of Narra Industries Berhad and a director of Hong Leong Bank Berhad, all Malaysian listed subsidiaries of HLCM. Mr Kwek is the Chairman of Southern Steel Berhad, a Malaysian listed associated company of HLCM. He is a director and shareholder of HLCM and a director of Hume Industries (Malaysia) Berhad, an indirect subsidiary of HLCM which was privatised in April 2010. He graduated from University of London with a Bachelor of Science (Engineering) degree and also holds a Master of Science (Finance) degree from City University, London. He has extensive business experience in various business sectors, including financial services and manufacturing. He is a brother of Messrs Quek Leng Chan and Kwek Leng Hai and a cousin of Mr Kwek Leng Kee.

**Sat Pal Khattar**, aged 67, has been an Independent Non-executive Director of Guoco since 1991 and is the Chairman of Board Audit Committee of Guoco. He is the Chairman and independent non-executive director of GLL and GL respectively, subsidiaries of Guoco listed in Singapore. He is also a director of Haw Par Corporation Limited listed in Singapore as well as Gateway Distriparks Ltd and India Infoline Ltd listed in India. Mr Khattar now chairs Khattar Holdings Pte Ltd, an investment group based in Singapore. He obtained a LLM degree and a LLB (Hons) degree from the University of Singapore.

**Volker Stoeckel**, aged 65, has been an Independent Non-executive Director of Guoco since 2004 and is a member of BAC and the BRC of Guoco. He was Chairman and CEO of Metal Cast Zhong Shan Limited during the period from 2007 to 2009. He was also the Chairman and CEO of the German Centre for Industry and Trade in Shanghai until 2006. Before that he held various senior banking positions in Asia for over 26 years. Until 2004 he was the Senior Executive Vice President and Chief Executive of Asia Pacific of Bayerische Landesbank,

## Biographical Details of Directors and Senior Management

Regional Head Office, in Hong Kong. Mr Stoeckel has wide ranging experience in capital markets, corporate finance, project finance, treasury and securities business, and property development of commercial and industrial projects in China. He is also a consultant for major companies in Asia for projects in Europe. He graduated from the University of Munich in economics and holds a diploma in banking.

**Roderic N. A. Sage**, aged 57, was appointed as an Independent Non-executive Director of Guoco since October 2009 and is a member of both the BAC and BRC of Guoco. He is the Chief Executive Officer of a specialist tax, corporate services and trust consultancy firm in Hong Kong. Prior to that, Mr Sage had worked with KPMG Hong Kong over 20 years until 2003, as a senior partner and member

of the management board of KPMG. He has been granted fellow status with the Institute of Chartered Accountants in England and Wales and with the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Institute of Taxation in England. He has over 30 years' experience in accounting, international tax planning and investment structuring enhanced by considerable knowledge of cross-boarder and onshore and offshore transactions and structures.

Mr Sage was a Convenor of the Financial Reporting Review Panel of the FRC during the period from July 2007 to July 2010. He is also an independent non-executive director of Tai Ping Carpets International Limited listed in Hong Kong and the Alpha Tiger Fund listed on London's Alternative Investment Market.

## Financial Highlights

Financial highlights of Guoco Group for the year ended 30 June 2010:

	<b>Year ended 30 June 2010 HK\$'M</b>	Year ended 30 June 2009 HK\$'M	Increase/ (Decrease)
Turnover	<b>17,599</b>	22,071	(20%)
Revenue	<b>5,925</b>	8,897	(33%)
Profit from operations before finance cost	<b>3,058</b>	868	252%
Profit attributable to shareholders of the Company	<b>2,831</b>	476	495%
	<b>HK\$</b>	HK\$	
Earnings per share	<b>8.71</b>	1.46	497%
Dividend per share:			
Interim	<b>0.80</b>	0.50	
Proposed final	<b>2.00</b>	1.50	
Total	<b>2.80</b>	2.00	40%
Equity per share attributable to shareholders of the Company	<b>131.75</b>	120.63	9%
	<b>As at 30 June 2010 HK\$'M</b>	As at 30 June 2009 HK\$'M	Increase/ (Decrease)
Equity attributable to shareholders of the Company	<b>43,353</b>	39,692	9%
Total assets	<b>75,843</b>	73,864	3%
Total liabilities	<b>25,032</b>	26,095	(4%)

## Ten Year Summary

US\$'000

Years	Total assets	Total liabilities	Equity attributable to shareholders of the Company	Profit for the year attributable to shareholders of the Company	Dividend per share
2001	5,937,223	1,571,996	4,116,828	2,726,259	0.10
2002	4,713,770	927,884	3,577,730	202,656	0.14
2003	4,620,094	703,573	3,702,501	157,193	0.14
2004	4,858,457	680,891	3,933,605	312,805	0.38
2005	5,191,012	655,282	4,196,126	415,476	0.49
2006	7,470,726	1,750,335	4,754,347	725,876	0.64
2007	8,863,439	2,677,829	5,186,062	546,371	0.55
2008	10,261,067	3,766,946	5,280,935	188,191	0.51
2009	9,530,768	3,367,014	5,121,487	61,364	0.26
<b>2010</b>	<b>9,743,006</b>	<b>3,215,707</b>	<b>5,569,187</b>	<b>363,626</b>	<b>0.36</b>

HK\$'000

Years	Total assets	Total liabilities	Equity attributable to shareholders of the Company	Profit for the year attributable to shareholders of the Company	Dividend per share
2001	46,308,855	12,261,175	32,110,229	21,264,139	0.80
2002	36,766,935	7,237,402	27,905,937	1,580,695	1.10
2003	36,027,500	5,486,464	28,872,108	1,225,789	1.10
2004	37,895,963	5,310,949	30,682,119	2,439,881	3.00
2005	40,344,545	5,092,852	32,612,290	3,229,080	3.80
2006	58,011,681	13,591,701	36,918,455	5,636,572	5.00
2007	69,283,288	20,931,920	40,538,151	4,270,845	4.30
2008	80,025,549	29,378,224	41,185,748	1,467,690	4.00
2009	73,864,407	26,094,697	39,692,037	475,577	2.00
<b>2010</b>	<b>75,843,455</b>	<b>25,032,349</b>	<b>43,352,779</b>	<b>2,830,611</b>	<b>2.80</b>

Notes:

- (a) The figures for 2003 and 2005 were restated due to change in accounting policies.
- (b) The figures for 2001 to 2010 were after the disposal of the banking subsidiaries.

## Chairman's Statement



“We remain cautiously optimistic and see opportunities in the recent moderation of market growth. We intend to deploy more funds to expand our investment portfolio and our core businesses.”

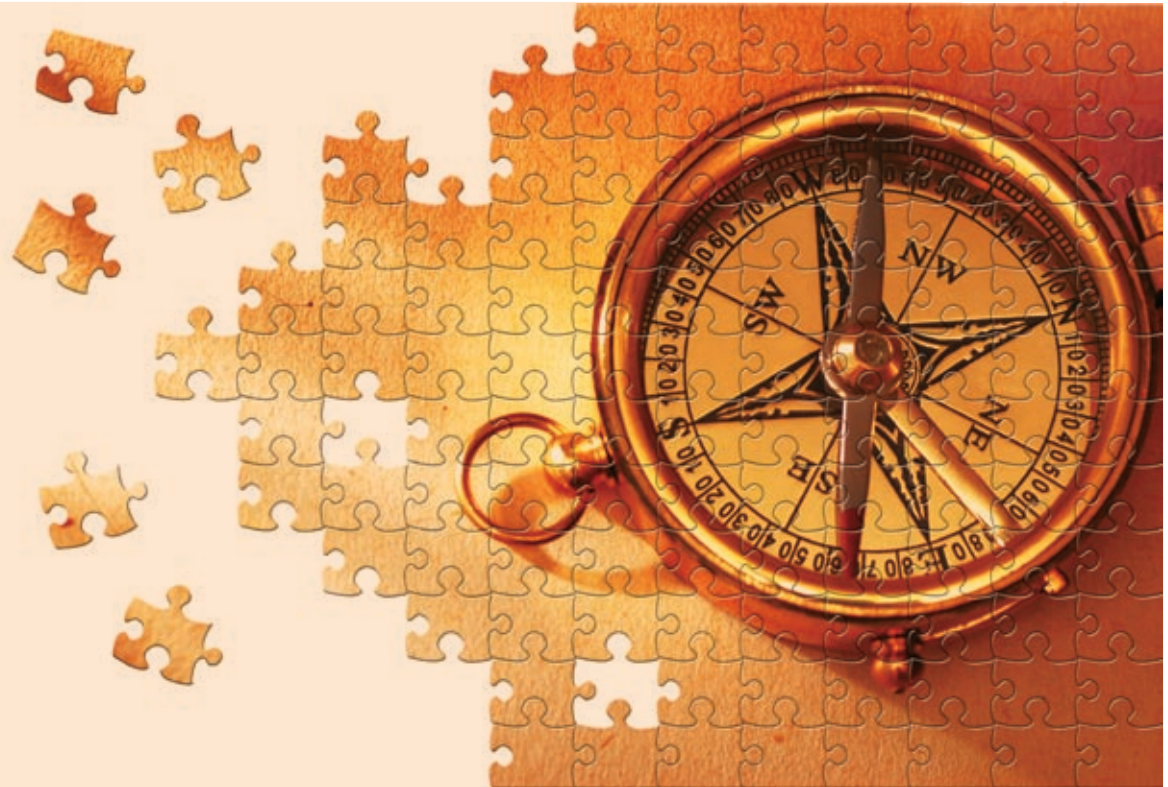
I am pleased to report that the Group achieved much better results for the financial year ended 30 June 2010.

Overall, all our four core businesses did better despite experiencing different challenges in their particular geographies. In the first half of the financial year, equity markets rebounded strongly. This was however dampened by uncertainties in the second half of the year resulting from the weaknesses in macro-economic data in the U.S., increased worries over sovereign debt issues in certain European countries, and tightening measures taken by China to prevent inflation.

Amidst this volatile and challenging operating environment, our subsidiaries and associates produced better results. GuocoLand Limited (“GuocoLand”) was able to take advantage of the economic recovery in Singapore during the first half of the year to launch new sales. In Malaysia, market consolidation provided new investment opportunities for Hong Leong Financial Group (“HLFG”). GuocoLeisure Limited (“GuocoLeisure”) succeeded in the U.K. to trim its costs. During the year, GuocoLeisure’s hospitality business extended its presence into China. The Principal Investment business continued to maintain a prudent management market approach in view of the uncertainties still prevailing in the economies of the major countries. The Division made higher profit than the previous year.



## Chairman's Statement



## FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and non-controlling interests for the year was HK\$2,831 million, representing an increase of 495% compared to the previous year.

The directors are recommending a final dividend of HK\$2.00 per share at the forthcoming Annual General Meeting. Together with the interim dividend of HK\$0.80 per share already paid, the total dividend for the year would be HK\$2.80 per share, representing an increase of 40% over the previous year.

## CORE BUSINESSES

### Principal Investment

Backed by the massive monetary and fiscal stimuli, global markets experienced a broad rebound. However, concerns over the sustainability of fiscal positions in some countries persisted. This was aggravated by rising fears of a double dip in some of the leading economies. Selling pressure in equities was seen towards the end of our financial

year. We see corrections in markets as an opportunity to accumulate good investments. Market volatility also offers trading opportunities.

Our treasury team continued to adopt a balanced policy in managing our foreign currency assets. Amidst a global environment of low interest rate and volatile foreign exchange markets we have done reasonably well.



## Chairman's Statement

### Property Development and Investment

On the back of the swift turnaround in property prices in Singapore and China, GuocoLand was able to lock in sales in these countries with a commendable turnover of S\$732.8 million for the year.

GuocoLand looks to grow its property business by expanding its footprint in the countries where it operates. In Singapore, GuocoLand is an award-winning developer of eco-friendly projects, having to-date achieved coveted awards from the Building Construction Authority for its Goodwood Residence, Sophia Residence, The Waterline, Elliot at the East Coast and The Quartz. Large-scale integrated projects of GuocoLand with residential apartments, hotel, office and retail space in China are ongoing. Iconic integrated

developments include the Guoson Centre • Changfeng in Shanghai and the Guoson Centre • Dongzhimen in Beijing, Damansara CITY in Kuala Lumpur and The Canary in Binh Duong Province, near Ho Chi Minh City. The hotel and retail components will result in sustainable recurring income and create new business opportunities for GuocoLand.

The hotel component offers synergistic collaboration between GuocoLand and GuocoLeisure. The 5-star Guoman Hotel Shanghai, managed by GuocoLeisure opened for business in July 2010.

Guoson Centre (Beijing and Shanghai) in April 2010 won the five-star "Best Mixed Use Development in China" award in the International Property Awards competition which is recognised by property professionals as one of the world's most prestigious

competitions. Guoson Centre is also the winner of "Best Mixed Use Development" in the Asia Pacific region. This is the first time a Chinese development has won such a regional award and is a recognition of GuocoLand's successful transformation into a developer of high quality integrated developments.

GuocoLand will continue to look to acquire well-located land within its embedded markets for large-scale residential projects and integrated mixed developments. GuocoLand will also continue to work towards increasing its product competitiveness by adopting good building design practices to achieve environmental and innovative building excellence. It will focus on strengthening its balance sheet and cash flow to take on large-scale developments when opportunities arise.



## Chairman's Statement

### Hospitality and Leisure Businesses

This financial year was another challenging year for GuocoLeisure. The London hotel and leisure industry was slowly picking up after the economic downturn as business activity and travel into the London area gathered pace. The volcanic eruption in Iceland which affected air-travel in parts of Europe and caused the closure of UK airports also affected GuocoLeisure.

GuocoLeisure posted improved results which were achieved on the back of costs savings through careful streamlining of processes. Guoman Hotels Limited ("Guoman Hotels") has embarked on an ambitious plan to deliver better results to be achieved through better rates management and improved food and beverage offerings, and growing its corporate and international business as well as increased brand marketing.

Guoman Hotels will continue to invest to refurbish some of its signature UK hotels.

The successful launch of a new hotel in Shanghai under the Guoman brand and two refurbished hotels in Malaysia under the Thistle brand serve as the launch pad of Guoman Hotels to grow its international brand in Asia.

Clermont Leisure (UK) Limited ("CLUK") continued to invest and upgrade its product offerings through facility enhancements and improved customer services. CLUK has been actively strengthening its marketing efforts, particularly to attract more high quality international players.

GuocoLeisure is confident that the affirmative action programmes which are being implemented to grow the hotel and gaming businesses, would drive the growth of the group in

the near term. Also, the current economic environment may present acquisition opportunities for GuocoLeisure.

We have also over the recent years accumulated a significant strategic interest in The Rank Group Plc ("Rank"), a leading European gaming and betting company, headquartered in Great Britain and listed on the London Stock Exchange. We now have two representatives from the Group on the board of Rank since April 2010. Following this, Rank is treated as an associate for accounting purposes. We look forward to working more closely with the management of Rank.

### Financial Services

HLFG continued to make significant progress. It has built upon the successes of its core businesses and has taken tangible steps to grow its business through mergers and acquisitions.

## Chairman's Statement

One of the significant milestones is the proposed strategic partnership between HLA Holdings and Mitsui Sumitomo Insurance Group ("MSI") of Japan involving the general and life insurance businesses in Malaysia of the two groups. The strategic partnership will create the second largest general insurance company by gross written premium in Malaysia and enable Hong Leong Assurance Berhad ("HLA") to leverage on MSI's strength in marketing, distribution and product innovations in developing its life business.

Hong Leong Bank Berhad ("HLB") has also made an offer to acquire the entire assets and liabilities of another banking group, EON Capital Berhad. The acquisition, if successful, would lead to the creation of a stronger merged entity in the increasingly competitive banking and financial services sector in Malaysia.

HLB entered into a joint venture with Bank of Chengdu Co., Ltd ("BOCD") to form a joint venture company known as Sichuan Jincheng Consumer Finance Limited Liability Company in Chengdu to increase exposure to the growing consumer finance market in that region. HLB will continue to work with BOCD in which it has a twenty percent interest to identify synergistic opportunities to tap into the financial markets of Chengdu and other areas of Sichuan province.

These corporate exercises undertaken by HLB and HLA will enable HLFG to transform itself not only into a much bigger domestic player but also in the region. With solid vision, strong work ethics, strict financial discipline, and an entrepreneurial spirit, HLFG is confident of further enhancing its position as a leading integrated financial services group.

### GROUP HUMAN RESOURCES

I view human resources as an invaluable asset as it has been proven time and time again that well trained and motivated staff makes a vital difference for the success of any organization. We will continue to develop staff competencies and capabilities and to implement programmes to spot, nurture, retain and promote talent within the Group.

### OUTLOOK

Concern remains as to whether some important economies will see a renewed contraction. With continued accommodative government policies and near-zero interest rates, we believe that a double-dip is not likely. We remain cautiously optimistic and see opportunities in the recent moderation of market growth. We



## Chairman's Statement

intend to deploy more funds to expand our investment portfolio and our core businesses.

### APPRECIATION

As always I am grateful to my fellow directors for their counsel and guidance. On behalf of the Board, I would also like to express my appreciation to the staff for their dedication and commitment and to our shareholders, bankers and customers for their support.

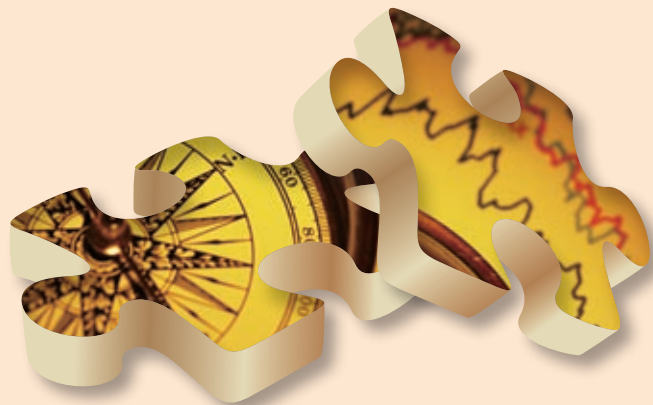
I am pleased to note that this year the Company has become one of the top ten donors to The Community Chest of Hong Kong. This honour was achieved through the donation of the

Company and the increased participation in charity functions by Group staff and one of our Board members raising funds for the needy earning him the Top Individual Fund Raiser Award, for the third year running in The Community Chest Hong Kong & Kowloon Walks for Millions. The Company was also presented the prestigious President's Award and the Platinum Award for Corporate & Employee Contribution Programme both for the fourth consecutive year in recognition of our continuous commitment towards community development.

### Quek Leng Chan

*Executive Chairman*

27 August 2010



## Review of Operations

### Principal Investment



## Review of Operations



### Principal Investment

Financial assets went through significant volatility in the past twelve months. Riding on the unprecedented fiscal and monetary stimuli as well as recapitalization of the western banking sector, markets rallied strongly in the first half of the year. However, selling pressure emerged in the final quarter amidst concerns over the sustainability of fiscal positions in some developed countries, especially in parts of Europe. This had a potential knock-on effect on the banking system and economic outlook generally. Selling in equities was broad based and spilt over into other asset classes such as commodities and major non-USD currencies. In China, a clampdown on the property market by the authorities and fears of repercussions from excessive loan growth further dampened sentiment. While we recognize that short-term volatility will prevail, global authorities are unlikely to be pushing for aggressive exit strategies due to ongoing macro concerns.

We selectively increased our equity exposure by buying quality stocks to expand our investment portfolio and strategic positions during weakness in the markets. We continued to adopt a prudent approach in managing our portfolio. We increased our exposure in equities. We will continue to look for under-valued investments with sound fundamentals and business franchises that provide significant appreciation. Some of our portfolio under “available for sale” has seen substantial appreciation as reflected in the reserve account.

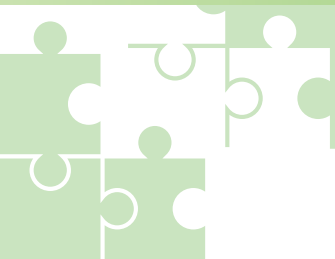
Team building and personnel development remain prime focus areas. The Treasury team was expanded with the recruitment of a number of seasoned professionals. This has contributed positively to our results.





## Review of Operations

# Property Development and Investment



## Review of Operations



## Property Development and Investment

## GuocoLand Limited (“GLL”) – 65.2% controlled by Guoco

GLL delivered a credible performance, achieving a turnover (calculated using percentage of completion method under Singapore Accounting Standards) of S\$732.8 million for the financial year ended 30 June 2010, as compared to a turnover of S\$513.0 million a year earlier. It returned profitable results, posting a net profit of S\$134.3 million, as compared with the full-year net loss of S\$70.2 million in the previous financial year. The strong performance was largely contributed by sales in development projects in Singapore and China. As at 30 June 2010, shareholders' funds rose to S\$2.01 billion from S\$1.94 billion as at 30 June 2009.

Other income increased by S\$16.3 million mainly due to the gain on disposal of a Malaysian jointly-controlled entity of S\$9.5 million and a net foreign exchange gain of S\$3.9 million comprising translation gain on USD borrowings for the year ended 30 June 2010. Other expenses decreased by 85% from S\$118.8 million to S\$17.8 million as the previous year figure included revaluation loss on GLL's investment properties of S\$80.9 million and net foreign exchange loss of S\$34.3 million.

Administrative expenses comprised staff expenses, depreciation, operating lease expenses and other administrative expenses. These expenses increased by 31% to S\$51.3 million due mainly to increased staff and other administrative expenses for GLL's China operations.

Income tax expense increased from S\$16.4 million to S\$41.3 million primarily due to higher profit contribution from property development projects in China.

1

2

3

4

1. Artist's Impression – Guoson Centre • Beijing • Dongzhimen
2. Showflat at The Waterline, Singapore
3. Showflat at Elliot at the East Coast, Singapore
4. Showhouse at The Cirrus, Malaysia





## Review of Operations

### Property Development and Investment (cont'd)

#### GuocoLand Limited (“GLL”) – 65.2% controlled by Guoco (cont'd)

##### Singapore

In view of the positive sentiments of the real estate sector, GLL focused on generating turnover in Singapore, its home market. It has a pipeline of projects which it will be launching.

With Singapore's economy expected to maintain a healthy growth rate for 2010, a current low mortgage interest environment and an improved employment market, the outlook for the local residential property market is likely to remain positive.



## Review of Operations



2

1

1. Artist's Impression – Guoson Centre • Shanghai • Changfeng
2. Homez @ The Canary, Vietnam

## China

The higher profit of GLL achieved during the year was mainly due to recognition of profit from strong sales in China. Nanjing's Ascot Park, a 1,112-unit residential development was fully sold during the year. In Tianjin, 120 units of Seasons Park in the Laochengxiang area launched in June 2010 have been fully sold.

To date, GLL has sold an office block and approximately 81% of SOHO units in Guoson Centre Changfeng in Shanghai. Sale and purchase agreements had been signed for the sale of an office block with 200 carpark lots for a total sale consideration of RMB1 billion. RMB97.6 million of the sale consideration has been received. The purchaser of the office block, Shanghai Putuo District State Asset Management Co., Ltd, has requested for a deferral of completion and payment of the balance sale consideration till end 2011.

With regards to the Dongzhimen project ("DZM Project") in Beijing, various legal actions taken by GuocoLand (China) Limited to defend and protect its 90% interest in the DZM Project are still pending hearing and/or adjudication before PRC courts.

Despite recent government measures to cool the China property market, GLL's residential properties continued to receive positive response. GLL will continue to pursue attractive opportunities to acquire new land bank.

## Vietnam

The conditional Joint Venture Agreement ("JVA") between GuocoLand Vietnam (S) Pte. Ltd. and ECC VNPI Pte. Ltd. to develop a retail mall on The Canary in Binh Duong Province has been terminated as certain conditions in the JVA had not been satisfied.



## Review of Operations



### Hospitality and **Leisure Business**

## Review of Operations

## Hospitality and Leisure Business

### GuocoLeisure Limited (“GL”) – 65.5% controlled by Guoco

GL’s net profit before tax increased by 16.8% to US\$41.7 million for the financial year ended 30 June 2010, from US\$35.7 million in the previous financial year. This was mainly due to better operating margins as personnel costs and other operating costs were reduced by 7.8% and 12.9% respectively.

Profit after tax was however lower by 26.5% due mainly to additional tax provision made as well as lower deferred tax write-back in the current financial year as compared to the previous financial year.

Revenue decreased by 5.6% to US\$331.1 million, from US\$350.6 million in the previous financial year. This was principally due to losses suffered in gaming segment and lower property sales in Fiji as GL continued its exit from its property development business in Fiji.

Royalty income from oil and gas production in Australia registered a slight decrease of 1.5% to US\$38.6 million from US\$39.2 million. This was due to lower royalties received as a result of lower crude oil and gas prices. However, this was partly offset by the strengthening of the AUD.

Personnel expenses, at US\$87.9 million, were 7.8% lower as compared to US\$95.3 million in the previous financial year. Other operating expenses decreased by 12.9% to US\$24.9 million from US\$28.6 million in the previous financial year. The decrease arose as a result of cost and operational rationalisation efforts undertaken by GL’s hotel operations.



1. Thistle Johor Bahru, Malaysia
2. Thistle Brand Launch in Malaysia
3. Thistle Port Dickson Resort, Malaysia





## Review of Operations

### Hospitality and Leisure Business (cont'd)

#### The Rank Group Plc (“Rank”) – 29.3% owned by Guoco

Rank is a leading European gaming and betting company, headquartered in Great Britain with its shares listed on the London Stock Exchange. Rank’s businesses comprise a number of established brands in gaming and leisure in Great Britain, Spain and Belgium, including:

- Mecca Bingo, a leading operator of bingo clubs in Great Britain;
- Grosvenor Casinos, operator of casinos under the Grosvenor and G Casinos brands in Great Britain and two other casinos in Belgium;
- Top Rank España operates 11 premium bingo clubs in Spain; and
- Rank Interactive is a remote gaming and betting business, principally comprising meccabingo.com, bluesq.com (sports betting and gaming) and GCasino.com.

Following the appointments of two representatives from Guoco to the board of directors of Rank in April 2010, we have begun to account for our investment in Rank as an associate using the equity method. A gain of HK\$281 million was recognized upon the reclassification of Rank from available-for-sale financial asset to investment in associate.

Rank achieved an increase of 5.4% in revenue to GBP269.6 million and an increase of 158.5% in its profit after exceptional items to GBP50.4 million compared with the first half of 2009. Its operating profit before exceptional items declined by GBP1.6 million or 5.3% to GBP28.6 million, as a result of taxation changes which cost Rank an additional GBP3.8 million in the period. Exceptional items totaling GBP32.9 million comprised mainly VAT refund of GBP42.5 million less related taxation of GBP12 million.



1. The Clermont Club, London
2. The Lobby, The Royal Horseguards • Guoman, London
3. The Ballroom, Guoman Hotel Shanghai

## Review of Operations





## Review of Operations



### Financial Services



## Review of Operations

**Financial Services****Hong Leong Financial Group Berhad (“HLFG”) – 25.4% owned by Guoco**

HLFG recorded a profit before tax of RM1,422.7 million for the financial year ended 30 June 2010 as compared to RM1,150.2 million in the previous financial year, an increase of RM272.5 million.

The commercial banking division recorded a profit before tax of RM1,185.3 million for the year, an increase of RM53.1 million. The increase is mainly contributed by higher share of results of associated company, higher contribution from the Islamic banking business and lower impairment charge.

The investment banking division recorded a profit before tax of RM20.4 million for the year as compared to a pre-tax loss of RM43.6 million arising from an impairment of goodwill in the previous year.

The insurance division recorded a profit before tax of RM249.1 million for the financial year as compared to RM91.6 million in the previous year.



## Review of Operations

### GROUP FINANCIAL COMMENTARY

#### Results

The audited consolidated profit attributable to shareholders for the year ended 30 June 2010, after taxation and non-controlling interests, amounted to HK\$2,831 million, as compared with HK\$476 million last year. Earnings per share amounted to HK\$8.71.

The major profit contributions (before finance cost and taxation) came from the following:

- property operations of HK\$719 million;
- hospitality and leisure business of HK\$382 million;
- total net exchange gain (including foreign exchange contracts) of HK\$604 million;
- total interest income of HK\$267 million;
- total realised and unrealised gain on trading financial assets of HK\$624 million;
- gain on reclassification of available-for-sale financial asset to investment in associate of HK\$281 million;
- dividend income of HK\$250 million; and
- contributions from associates and jointly controlled entities of HK\$646 million.

#### Capital and Finance

- The Group's consolidated total equity (including non-controlling interests) as at 30 June 2010 amounted to HK\$50.8 billion, an increase of 6% compared to the total equity as at 30 June 2009.
- The Group's consolidated total equity attributable to shareholders of the Company as at 30 June 2010 amounted to HK\$43.4 billion, an increase of HK\$3.7 billion compared to the figure as at 30 June 2009.

#### Total Cash and Liquid Funds

As at 30 June 2010, the Group has net liquid funds of HK\$6.2 billion, comprising total cash balance of HK\$6.4 billion and marketable securities of HK\$18.1 billion and after netting off the total group borrowings of HK\$18.3 billion.

## Review of Operations

The Group's total cash balance and marketable securities were mainly in USD (34%), RMB (11%), AUD (10%), GBP (10%) and SGD (10%).

**Total Borrowings**

The decrease in total borrowings from HK\$19.5 billion as at 30 June 2009 to HK\$18.3 billion as at 30 June 2010 was primarily due to redemption and cancellation of convertible bonds issued by GLL. The Group's total borrowings are mainly denominated in SGD (60%), GBP (18%) and RM (10%).

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

	<b>Bank loans</b>	<b>Mortgage debenture stock</b>	<b>Convertible bonds</b>	<b>Other borrowings</b>	<b>Total</b>
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Within 1 year or on demand	6,997	–	–	417	7,414
After 1 year but within 2 years	620	–	2,003	–	2,623
After 2 years but within 5 years	5,321	2,210	–	–	7,531
After 5 years	11	694	–	–	705
	5,952	2,904	2,003	–	10,859
	12,949	2,904	2,003	417	18,273

Bank loans and mortgage debenture stock are secured by the following:

- legal mortgages on investment properties with an aggregate book value of HK\$409.4 million;
- legal mortgages on development properties with an aggregate book value of HK\$12.0 billion; and
- legal mortgages on property, plant and equipment with an aggregate book value of HK\$5.4 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 30 June 2010 amounted to approximately HK\$6.5 billion.

## Review of Operations

### Interest Rate Exposure

The Group's interest rate risk arises from treasury activities and borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. The Group uses interest rate swaps to manage its interest rate exposure.

As at 30 June 2010, approximately 71% of the Group's borrowings were at floating rates and the remaining 29% were at fixed rates. The Group had interest rate swaps with outstanding notional amount of HK\$1.1 billion.

### Foreign Currency Exposure

The Group from time to time enters into foreign exchange contracts, which are primarily over-the-counter derivatives, principally for hedging foreign currency exposures and investments.

As at 30 June 2010, there were outstanding foreign exchange contracts with a total notional amount of HK\$16.4 billion for hedging of foreign currency share investments.

### Equity Price Exposure

The Group maintains a diversified investment portfolio which comprises listed and unlisted equities. Investments are classified as "trading" or "strategic". Equity investments are subject to asset allocation limits.

### Contingent Liabilities

Details are encapsulated in note 42 "Contingent Liabilities to the Financial Statement" in this annual report.

## HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 3,100 employees as at 30 June 2010. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to providing its staff with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual achievement as incentives to optimise performance. Share options are granted to eligible employees to reward their contribution and foster loyalty to the Group.

## Corporate Governance Report

“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders’ value, whilst taking into account the interest of other stakeholders.”

The board of directors of the Company (the “Board”) has adopted a Code of Corporate Governance Practices (the “CGP Code”), which is based on the principles set out in Appendix 14 (the “HKEx Code”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Continuous efforts are made to review and enhance the Group’s internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the letter of the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the HKEx Code throughout the financial year ended 30 June 2010, except where otherwise stated.

### A. Directors

#### 1. The Board

The Board assumes responsibility for directing the Company and enhancing its value for shareholders in accordance with good corporate governance principles and has established relevant board committees to assist in discharging this responsibility.

The role and responsibilities of the Board broadly cover reviewing and approving corporate mission and broad strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate measures and control systems to manage these risks; and reviewing and approving important matters such as financial results, investments and divestments and other material transactions.

The Board has delegated the day-to-day management and operation of the Group’s businesses to management of the Company and its subsidiaries.

## Corporate Governance Report

### A. Directors (cont'd)

#### 1. The Board (cont'd)

The Board currently comprises the following members:

*Executive Directors*

Quek Leng Chan (*Executive Chairman*)

Kwek Leng Hai (*President, CEO*)

Tan Lim Heng

Ding Wai Chuen <sup>(Note)</sup>

*Non-executive Director*

Kwek Leng San

*Independent Non-executive Directors*

Sat Pal Khattar

Volker Stoeckel

Roderic N. A. Sage

Note: Mr Ding Wai Chuen was an independent non-executive director ("INED") for the year ended 30 June 2009 and up to 31 August 2009 and was re-designated as an executive director of the Company with effect from 1 September 2009. As a result, the number of INED of the Company fell below the minimum requirement under Rule 3.10(1) of the Listing Rules. Following the appointment of Mr Roderic N. A. Sage as an INED of the Company on 2 October 2009, the aforesaid rule has been complied with.

Every director is subject to retirement by rotation at least once every three years pursuant to the Bye-Laws of the Company and the CGP Code.

Despite non-executive directors are not appointed for a specific term as stipulated by the HKEx Code, they are subject to retirement by rotation and re-election at the annual general meetings of the Company. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the HKEx Code.

The Company received confirmation of independence from each of the INEDs for the year pursuant to Rule 3.13 of the Listing Rules. The Company considers that Messrs Sat Pal Khattar and Volker Stoeckel continue to be independent up to and as at the date of this report. Mr Ding Wai Chuen was considered to be independent during the period from 1 July 2009 up to 31 August 2009. Mr Roderic N. A. Sage was newly appointed as an INED on 2 October 2009 and is considered to be independent up to and as at the date of this report.

The family relationships among the board members, if any, are disclosed under "Biographical Details of Directors and Senior Management" on page 7 of this annual report.

## Corporate Governance Report

**A. Directors (cont'd)****2. Chairman and Chief Executive Officer (“CEO”)**

The roles of the Chairman and the CEO of the Company are segregated and are not held by the same person. Currently, Mr Quek Leng Chan is the Executive Chairman and Mr Kwek Leng Hai is the President and CEO of the Company.

The primary responsibility of the Executive Chairman is to ensure smooth and effective functioning of the Board and, together with the President and CEO, to set up the vision and oversee strategic direction and policies of the Group as well as to monitor progress on implementation of Key Performance Areas (“KRAs”) and strategic development.

The CEO's main responsibility is to work with business managers to develop strategic business plans and to set out KPAs for the business managers as well as to focus on creating value through asset deployment and optimal use of the capital resources available.

**3. Nomination of Directors**

The Board is responsible for the selection and recommendation of candidates for directorship of the Company. All new nominations received are assessed and approved by the Board in line with its policy of ensuring that the nominees are of high calibre and ample experience.

During the year, the Board assessed and approved the appointment of Mr Roderic N. A. Sage as an INED of the Company.

**4. Board Meetings and Access of Information**

The Board meets regularly and members of the Board receive information between meetings about developments in the Company's business.

During the year, four board meetings were held and details of directors' attendance at the meetings are as follows:

	<u>Meetings attended/held</u>
<i>Executive Directors</i>	
Quek Leng Chan	4/4
Kwek Leng Hai	4/4
Tan Lim Heng	4/4
Ding Wai Chuen	4/4
James Eng, Jr. <sup>(a)</sup>	2/2



## Corporate Governance Report

### A. Directors (cont'd)

#### 4. Board Meetings and Access of Information (cont'd)

	<u>Meetings attended/held</u>
<i>Non-executive Director</i>	
Kwek Leng San	4/4
<i>Independent Non-executive Directors</i>	
Sat Pal Khattar	4/4
Volker Stoeckel	4/4
Roderic N. A. Sage <sup>(b)</sup>	3/3
(a) Mr James Eng., Jr. retired as director upon conclusion of the annual general meeting held on 27 November 2009.	
(b) Mr Roderic N. A. Sage was appointed as an INED on 2 October 2009.	

Where appropriate, decisions are also taken by way of circulated resolutions.

Board papers are circulated prior to board meetings on a timely manner, which include, among others, financial and corporate information, significant operational and corporate issues and business performance of the Group as well as management proposals which require the approval of the Board.

All directors have access to the advice and services of the company secretary and internal auditors, and upon reasonable request, independent professional advice in appropriate circumstances at the Company's expense, if any.

#### 5. Directors' Securities Transactions

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

All directors of the Company during the year, following specific enquiry by the Company, have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

### B. Directors' Remuneration

#### 1. Board Remuneration Committee ("BRC")

The principal role of the BRC is to make recommendations to the Board on the policy and structure for the remuneration of directors and senior management, as well as to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment. Detailed terms of reference of the BRC is accessible on the Company's website.

## Corporate Governance Report

**B. Directors' Remuneration (cont'd)****1. Board Remuneration Committee ("BRC") (cont'd)*****Membership and attendance***

For the year ended 30 June 2010, the following members and their attendance at the meetings are set out below:

	<u>Meetings attended/held</u>
<i>Chairman</i>	
Quek Leng Chan	2/2
<i>Members</i>	
Volker Stoeckel	2/2
Roderic N. A. Sage <sup>(a)</sup>	1/1
Ding Wai Chuen <sup>(b)</sup>	1/1

(a) Mr Roderic N. A. Sage was appointed as a BRC member on 2 October 2009.

(b) Mr Ding Wai Chuen ceased to be a BRC member since his re-designation as an executive director on 1 September 2009.

Note: Mr Ding Wai Chuen, formerly an INED and a BRC member, was re-designated as an executive director of the Company with effect from 1 September 2009 and thus ceased to be a BRC member on even date. As a result, the number of the BRC members being INED for a short period fell below the minimum requirement under the provision as set out in the CGP Code. Mr Roderic N. A. Sage was appointed as an INED of the Company and a BRC member on 2 October 2009. The BRC did not hold any meeting or pass any resolution during the short period of technical non-compliance.

***Work done during the year***

- reviewed its terms of reference and the remuneration policy for directors and senior management;
- recommended to the Board the executive directors' fees for the year ended 30 June 2010 for proposing to shareholders for approval;
- approved the discretionary bonuses for executive directors and senior management for the year ended 30 June 2010; and
- reviewed the remuneration packages of executive directors and senior management for the year 2010.

**2. Level and Make-up of Remuneration**

The Group's remuneration scheme for executive directors and senior management is linked to performance, service seniority, experience and scope of responsibility and is based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

## Corporate Governance Report

### B. Directors' Remuneration (cont'd)

#### 2. Level and Make-up of Remuneration (cont'd)

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The fees of directors, including non-executive directors, are recommended and endorsed by the Board for shareholders' approval at the Company's annual general meetings.

Details of the remuneration of the directors for the year ended 30 June 2010 are provided in note 9 to the Financial Statements in this annual report.

### C. Accountability and Audit

#### 1. Board Audit Committee ("BAC")

The BAC oversees the financial reporting process and assesses the adequacy and effectiveness of the Company's system of internal control. The BAC meets with the Company's external and internal auditors, and reviews their audit plans, the internal audit programmes, the results of their examinations as well as their evaluations of the system of internal control. It also reviews directors' interests in contracts and connected transactions. The BAC reviews the Group's and the Company's financial statements and the auditors' report thereon and submits its views to the Board. Detailed terms of reference of the BAC is accessible on the Company's website.

#### **Membership and attendance**

For the year ended 30 June 2010, the following members and their attendance at the meetings are set out below:

	<u>Meetings attended/held</u>
<i>Chairman</i>	
Sat Pal Khattar	4/4
<i>Members</i>	
Volker Stoeckel	4/4
Roderic N. A. Sage <sup>(a)</sup>	3/3
Ding Wai Chuen <sup>(b)</sup>	1/1

(a) Mr Roderic N. A. Sage was appointed as a BAC member on 2 October 2009.

(b) Mr Ding Wai Chuen ceased to be a BAC member since his re-designation as an executive director on 1 September 2009.

## Corporate Governance Report

### C. Accountability and Audit (cont'd)

#### 1. Board Audit Committee ("BAC") (cont'd)

Note: Mr Ding Wai Chuen, formerly an INED and a BAC member, was re-designated as an executive director of the Company with effect from 1 September 2009 and thus ceased to be a BAC member on even date. As a result, the number of BAC members fell below the minimum requirement under Rule 3.21 of the Listing Rules. Mr Roderic N. A. Sage was appointed as an INED of the Company and a BAC member on 2 October 2009. Following the appointment of Mr Sage, the aforesaid rule has been complied with. The BAC did not hold any meeting or pass any resolution during the period of non-compliance.

The Chief Executive, Chief Financial Officer and Head of Internal Audit are normal attendees of the BAC meetings. Where appropriate, representatives of the external auditors are invited to attend the BAC meetings to present significant audit and accounting matters which they noted in the course of their audit.

#### *Work done during the year*

- reviewed the nature and scope of external audit and approved the external audit fee;
- reviewed the interim financial report, the interim results announcement, the annual accounts and the final results announcement;
- reviewed the financial reporting system and related internal control procedures, including the adequacy of resources, qualifications, experience of staff of the accounting and financial reporting function, and their training programmes and budget;
- reviewed the Group's accounting policies and practices;
- reviewed and approved the annual internal audit plan;
- reviewed major findings of internal audit assignments and the progress of implementation of remedial measures on control issues identified; and
- reviewed connected transactions entered into by the Group subsisting during the year.

#### 2. Financial Reporting

The Listing Rules require listed companies to prepare annual financial statements which shall provide a true and fair view of the state of affairs of the companies and of the results of their operations and cashflows.

The Board is responsible for ensuring the maintenance of proper accounting records of the Group. It has also acknowledged its responsibility for preparing the financial statements.

The Board approves the financial statements after taking into account the BAC's comments on specific accounting matters.

## Corporate Governance Report

### C. Accountability and Audit (cont'd)

#### 2. Financial Reporting (cont'd)

The Board is satisfied that appropriate accounting policies have been used in preparing the financial statements, consistently applied and complied with the relevant accounting standards.

A statement of the auditors about their reporting responsibilities is included in the Report of the Auditors on page 72 of this annual report.

#### 3. Internal Controls

The Board, recognising its responsibilities to ensure sound internal controls, has put in place a risk management framework for the Group to:

- identify significant risks faced by the Group in the operating environment as well as evaluate the impact of such risks identified;
- develop necessary measures for managing these risks; and
- monitor and review the effectiveness and adequacy of such measures.

The Board has entrusted the BAC with the responsibility of overseeing the implementation of the Group's risk management framework. In discharging this responsibility, the BAC, assisted by the Group Internal Audit Department and the audit committees of other listed subsidiary groups:

- ensures that new and emerging risks relevant to the Group are promptly identified by management;
- assesses the adequacy of action plans and control systems developed to manage these risks; and
- monitors the implementation of the action plans and the effectiveness and adequacy of the control systems.

These on-going processes are in place, and reviewed periodically by the BAC.

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. These controls provide reasonable, but not absolute, assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board, through the BAC, has conducted an annual review on the Group's system of internal control and considers that it is adequate and effective. The Board is satisfied that the Group has fully complied with the provisions on internal controls as set out in the CGP Code.

## Corporate Governance Report

### C. Accountability and Audit (cont'd)

#### 4. Auditors' Remuneration

The fees charged by the Group's external auditors for the year in respect of annual audit services amounted to HK\$11,498,000 and those in respect of non-audit services amounted to HK\$413,000.

### D. Investor Relations

#### 1. Communication with Investors

The Company encourages two-way communication with both its institutional and private investors. Extensive information about the Company's activities is provided in the interim and annual reports which are distributed to shareholders.

Regular dialogues are maintained with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcome and are dealt with in an informative and timely manner. The enquiries can be directed to the Group Company Secretary via email at the designated mail box – [comsec@guoco.com](mailto:comsec@guoco.com) or directly by questions at general meetings of the Company.

In order to promote effective communication, the Company maintains a website at [www.guoco.com](http://www.guoco.com) to provide:

- latest news, announcements, financials including interim and annual reports;
- other corporate communication materials, e.g. notices of meetings, circulars, proxy forms, etc.,
- corporate calendar for important shareholders' dates for current financial year;
- online registration of email alert service for receiving the Company's latest corporate communications; and
- other information relating to the Group and its businesses to the public.

#### 2. Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek clarification and to obtain a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

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## Report of the Directors

The directors of the Company present their report together with the audited financial statements of the Group for the year ended 30 June 2010.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and investment management. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include principal investment, property development and investment, hospitality and leisure business, stock and commodity broking and investment advisory. The principal activities of the associates which materially affected the results of the Group during the year include banking and financing, insurance, fund management, stockbroking and merchant banking, property development as well as leisure business.

The analysis of the principal activities and locations of operations of the Company and its subsidiaries during the year is set out in Note 17 on the financial statements.

### SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 17 on the financial statements.

### FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 73 to 167.

### DIVIDENDS

An interim dividend of HK\$0.80 (2009: HK\$0.50) per share totalling HK\$263,241,000 (2009: HK\$164,526,000) was paid on 22 March 2010. The directors are recommending payment of a final dividend of HK\$2.00 per share (2009: HK\$1.50) in respect of the year ended 30 June 2010 totalling HK\$658,103,000 (2009: HK\$493,577,000).

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19 October 2010 to 22 October 2010, both days inclusive, during which period no share transfers will be registered.

To qualify for the final dividend and for attending and voting at the forthcoming annual general meeting of the Company to be held on 22 October 2010, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:30 p.m. on 18 October 2010.



## Report of the Directors

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 30% of the total turnover of the Group. The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	<b>Percentage of the Group's total purchases</b>
The largest supplier	8.1%
Five largest suppliers in aggregate	26.8%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major suppliers.

### CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US\$350,000 (2009: US\$523,000).

### SHARE CAPITAL, CONVERTIBLE SECURITIES AND WARRANTS

#### The Company

The Company did not issue any new shares during the year. Details of the share capital of the Company are shown in Note 35 on the financial statements.

#### GuocoLand Limited ("GLL", 65.2% controlled by the Company)

GLL issued S\$690 million in principal amount of convertible bonds (the "Bonds") in May 2007, which are due on 7 May 2012. During the year, GLL had at the option of the bondholders redeemed and cancelled S\$337.8 million of the Tranche 1 Bonds. Details of the Bonds are shown in Note 32 on the financial statements.

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

During the year, the Company did not redeem any of its listed securities. Neither did the Company nor any of its other subsidiaries purchase or sell any of the Company's listed securities.

### TRANSFER TO RESERVES

Profit for the year, before dividend, of US\$402.8 million (2009: US\$77.8 million) has been transferred to reserves. Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in Note 35 on the financial statements respectively.

## Report of the Directors

**INTEREST CAPITALISED**

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$41.7 million (2009: approximately US\$49.3 million).

**FIXED ASSETS**

Movements in fixed assets during the year are set out in Note 15 on the financial statements.

**PROPERTIES**

Particulars of the major development properties, properties held for sale and investment properties of the Group are shown on pages 168 to 172.

**PRE-EMPTIVE RIGHTS**

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

**DIRECTORS**

The directors during the year and up to the date of this report are:

Quek Leng Chan – *Executive Chairman*

Kwek Leng Hai – *President, CEO*

Sat Pal Khattar\*\*

Kwek Leng San\*

Tan Lim Heng

Ding Wai Chuen

Volker Stoeckel\*\*

Roderic N. A. Sage\*\*

\* *Non-executive director*

\*\* *Independent non-executive director*

In accordance with the Company's Bye-Law 99 and Code A.4.2 of the Code of Corporate Governance Practices of the Company, Messrs Ding Wai Chuen, Kwek Leng San and Volker Stoeckel will retire from office by rotation at the forthcoming annual general meeting. All of them, being eligible, offer themselves for re-election.

None of the directors has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## Report of the Directors

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

As at 30 June 2010, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Company ("Model Code") were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Certain information herein is based on additional information of the relevant events on or before 30 June 2010 with the disclosure deadlines under the SFO falling after 30 June 2010.

**(A) The Company**

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of the Company	Notes
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	1,056,325	245,025,391	246,081,716	74.79%	1
Kwek Leng Hai	3,800,775	–	3,800,775	1.16%	
Sat Pal Khattar	–	691,125	691,125	0.21%	2
Kwek Leng San	209,120	–	209,120	0.06%	
Tan Lim Heng	566,230	–	566,230	0.17%	
Ding Wai Chuen	5,000	–	5,000	0.00%	

\* Ordinary shares unless otherwise specified in the Notes

Notes:

- The total interests of 246,081,716 shares/underlying shares comprised 240,881,716 ordinary shares of the Company and 5,200,000 underlying shares of other unlisted derivatives.

The corporate interests of 245,025,391 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	235,198,529
GuoLine Capital Limited ("GCL")	5,200,000
Asian Financial Common Wealth (PTC) Limited ("AFCW")	4,026,862
Chaghese Limited ("CL")	600,000

AFCW was wholly owned by the Company which was in turn 71.48% owned by GOL. GOL and GCL were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM was 49.11% owned by Mr Quek Leng Chan as to 2.43% under his personal name and 46.68% via HL Holdings Sdn Bhd which was wholly owned by him. CL was wholly owned by Mr Quek Leng Chan.

- The corporate interests of 691,125 shares were directly held by Khattar Holdings Pte Ltd which was 14.84% owned by Mr Sat Pal Khattar and was accustomed to act according to his directions.

## Report of the Directors

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)****(B) Associated Corporations****(a) Hong Leong Company (Malaysia) Berhad ("HLCM")**

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLCM	
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	390,000	7,487,100	7,877,100	49.11%	Note
Kwek Leng Hai	420,500	–	420,500	2.62%	
Kwek Leng San	117,500	–	117,500	0.73%	

\* Ordinary shares

Note:

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

**(b) GuocoLand Limited ("GLL")**

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of GLL	Notes
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	10,000,000	656,277,216	666,277,216	75.07%	1
Kwek Leng Hai	26,468,186	–	26,468,186	2.98%	
Sat Pal Khattar	–	13,856,482	13,856,482	1.56%	2
Tan Lim Heng	1,333,333	–	1,333,333	0.15%	
Volker Stoeckel	1,096,000	–	1,096,000	0.12%	

\* Ordinary shares unless otherwise specified in the Notes

## Report of the Directors

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)****(B) Associated Corporations (cont'd)****(b) GuocoLand Limited ("GLL") (cont'd)**

Notes:

1. The total interests of 666,277,216 shares/underlying shares comprised 623,133,274 ordinary shares of GLL, 34,681,996 underlying shares of other unlisted derivatives and 8,461,946 underlying shares of other listed derivatives.

The corporate interests of 656,277,216 shares/underlying shares comprised the respective direct interests held by:

	<u>Number of shares/underlying shares</u>
GuocoLand Assets Pte Ltd ("GAPL")	579,024,320
GuoLine Capital Limited ("GCL")	58,727,985
Hong Leong Assurance Berhad ("HLA")	8,244,043
Hong Leong Insurance (Asia) Limited ("HLIA")	217,903
Chaghese Limited ("CL")	10,062,965

HLIA and HLA were wholly owned by HLA Holdings Sdn Bhd which was in turn wholly owned by Hong Leong Financial Group Berhad ("HLFG"). HLFG was 77.31% owned by Hong Leong Company (Malaysia) Berhad ("HLCM").

GAPL was wholly owned by the Company. The respective controlling shareholders of the Company, CL, GCL and HLCM as well as their respective percentage control are shown in the Note under Part (A) above.

2. The corporate interests of 13,856,482 shares were directly held by Khattar Holdings Pte Ltd which was 14.84% owned by Mr Sat Pal Khattar and was accustomed to act according to his directions.

## Report of the Directors

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)****(B) Associated Corporations (cont'd)****(c) Hong Leong Financial Group Berhad ("HLFG")**

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of HLFG	
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	4,989,600	846,298,600	851,288,200	80.86%	Note
Kwek Leng Hai	2,316,800	–	2,316,800	0.22%	
Kwek Leng San	600,000	–	600,000	0.06%	
Tan Lim Heng	245,700	–	245,700	0.02%	

\* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 851,288,200 shares/underlying shares comprised 824,903,500 ordinary shares of HLFG and 26,384,700 underlying shares of other unlisted derivatives.

The corporate interests of 846,298,600 shares/underlying shares comprised the respective direct interests held by:

	<u>Number of shares/underlying shares</u>
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,773,354
Hong Leong Share Registration Services Sdn Bhd ("HLSRS")	3,600
GuoLine Capital Limited ("GCL")	26,384,700
Guoco Assets Sdn Bhd ("GASB")	267,079,946
Soft Portfolio Sdn Bhd ("SPSB")	6,057,000

GASB was wholly owned by the Company. HLSRS was wholly owned by HLCM Capital Sdn Bhd which was in turn 35.21% and 64.79% owned by HLCM and HL Manufacturing Holdings Sdn Bhd ("HLMH") respectively. HLMH was wholly owned by HLCM.

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

SPSB was 99% owned by Mr Quek Leng Chan.





## Report of the Directors

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)****(B) Associated Corporations (cont'd)****(d) GuocoLand (Malaysia) Berhad ("GLM")**

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of GLM	
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	19,506,780	490,198,596	509,705,376	72.77%	Note
Kwek Leng Hai	226,800	–	226,800	0.03%	
Sat Pal Khattar	152,700	–	152,700	0.02%	
Tan Lim Heng	326,010	–	326,010	0.05%	

\* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 509,705,376 shares/underlying shares comprised 474,705,376 ordinary shares of GLM and 35,000,000 underlying shares of other unlisted derivatives.

The corporate interests of 490,198,596 shares/underlying shares comprised the respective direct interests held by:

	<u>Number of shares/underlying shares</u>
GLL (Malaysia) Pte Ltd ("GLLM")	455,130,580
GuoLine Capital Limited ("GCL")	35,000,000
HLCM Capital Sdn Bhd ("HLCM Capital")	68,016

GLLM was wholly owned by GuocoLand Limited which was in turn 65.24% owned by GuocoLand Assets Pte Ltd ("GAPL").

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

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

The controlling shareholders of HLCM Capital and its percentage control are shown in the Note under Part (B)(c) above.

## Report of the Directors

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)****(B) Associated Corporations (cont'd)****(e) Hong Leong Industries Berhad ("HLI")**

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLI	
	Personal interests	Corporate interests	Total interests		
Kwek Leng Hai	189,812	–	189,812	0.07%	
Sat Pal Khattar	198,580	348,500	547,080	0.20%	Note
Kwek Leng San	2,520,000	–	2,520,000	0.92%	

\* Ordinary shares

Note:

The corporate interests of 348,500 shares were held by J.M. Sassoon & Co. (Pte) Ltd which was in turn wholly owned by Khattar Holdings Pte Ltd ("KHP"). KHP was 14.84% owned by Mr Sat Pal Khattar and was accustomed to act according to his directions.

**(f) Hong Leong Bank Berhad ("HLB")**

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLB
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	3,955,700	–	3,955,700	0.26%
Sat Pal Khattar	294,000	–	294,000	0.02%
Kwek Leng San	385,000	–	385,000	0.03%

\* Ordinary shares

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

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLG
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	1,000,000	–	1,000,000	0.41%
Kwek Leng San	119,000	–	119,000	0.05%

\* Ordinary shares



## Report of the Directors

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)****(B) Associated Corporations (cont'd)****(h) Malaysian Pacific Industries Berhad ("MPI")**

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of MPI
	Personal interests	Corporate interests	Total interests	
Sat Pal Khattar	210,000	–	210,000	0.11%
Kwek Leng San	315,000	–	315,000	0.16%

\* Ordinary shares

**(i) Narra Industries Berhad ("NIB")**

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of NIB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	8,150,200	38,304,000	46,454,200	74.70% Note

\* Ordinary shares

Note:

The corporate interests of 38,304,000 shares were directly held by Hume Industries (Malaysia) Berhad ("HIMB"). HIMB was 99.99% owned by Spectrum Arrangement Sdn Bhd which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). The controlling shareholders of HLCM and their percentage control are shown in the Note under Part (A) above.

**(j) Lam Soon (Hong Kong) Limited ("LSHK")**

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of LSHK
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	2,300,000	–	2,300,000	0.95%
Tan Lim Heng	274,000	–	274,000	0.11%
Ding Wai Chuen	10,000	–	10,000	0.00%

\* Ordinary shares

## Report of the Directors

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)****(B) Associated Corporations (cont'd)****(k) GuocoLeisure Limited ("GL")**

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of GL	
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	735,000	896,230,434	896,965,434	65.56%	Note
Tan Lim Heng	950,000	–	950,000	0.07%	

\* Ordinary shares

Note:

The corporate interests of 896,230,434 shares were directly held by GuocoLeisure Assets Limited which was in turn wholly owned by the Company. The controlling shareholder of the Company and its percentage control are shown in the Note under Part (A) above.

**(C) Others**

Associated Corporations in which Mr Quek Leng Chan was deemed to be interested solely through his deemed controlling interest in HLCM and/or its subsidiaries

Carsem (M) Sdn Bhd	Hong Leong Tokio Marine Takaful Berhad
Carter Realty Sdn Bhd	Hong Leong Yamaha Motor Sdn Bhd
Guangzhou Lam Soon Food Products Limited	Kwok Wah Hong Flour Company Limited
Guocera Tile Industries (Labuan) Sdn Bhd	Lam Soon (Hong Kong) Limited
Guocera Tile Industries (Meru) Sdn Bhd	Luck Hock Venture Holdings, Inc.
GuocoLand Limited*	M.C. Packaging Offshore Limited
HLG Capital Berhad	Malaysian Pacific Industries Berhad
Hong Leong Bank Berhad	RZA Logistics Sdn Bhd
Hong Leong Industries Berhad	

\* In respect of interests in debentures only

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

## Report of the Directors

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

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

Save as disclosed above, as at 30 June 2010, none of the directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the directors of the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

### **SHARE OPTIONS**

#### **The Company**

##### ***Share Option Scheme***

A share option scheme (the "Share Option Scheme") was adopted by the Company on 29 November 2001 ("Adoption Date") for the purpose of providing the employees or directors of the Company or any of its subsidiaries or associated companies (the "Eligible Employees") the opportunity of participating in the growth and success of the Group through the grant of options over newly issued shares of the Company.

The number of new shares of the Company that may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the Adoption Date, i.e. 32,408,137 which represents approximately 9.85% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Eligible Employee in respect of the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant shall not exceed 1% of the shares of the Company in issue as at any date of grant.

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.

The life of the Share Option Scheme is 10 years from the Adoption Date. The Share Option Scheme shall remain valid and effective till 28 November 2011.

## **SHARE OPTIONS (cont'd)**

### **The Company (cont'd)**

#### **Share Option Scheme (cont'd)**

No option has ever been granted to any Eligible Employee pursuant to the Share Option Scheme up to 30 June 2010.

#### **Share Option Plan**

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

Unlike a traditional employee share option scheme, the Share Option Plan does not involve options over newly issued shares of the Company and thereby avoids the uncertainty for the shareholders of potential dilutionary effect on the Company's issued share capital from time to time. A trust (the "Trust") has been set up for the purpose of acquiring existing shares of the Company from time to time to satisfy the exercise of options which may be granted under the Share Option Plan. A wholly-owned subsidiary of the Company as the trustee is responsible for administering the Trust.

The number of existing shares of the Company that may be transferred upon exercise of all share options to be granted under the Share Option Plan shall not in aggregate exceed 10% of the issued share capital of the Company as at the SOP Adoption Date, i.e. 32,496,137 which represents approximately 9.88% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Participant in respect to the total number of shares transferred and to be transferred upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant shall not exceed 1% of the shares of the Company in issue as at any date of grant.

The exercise price per share of an option for the purchase of a share shall 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.

The life of the Share Option Plan is 10 years from the SOP Adoption Date. The Share Option Plan shall remain valid and effective till 15 December 2012.

No option has ever been granted to any Participant pursuant to the Share Option Plan up to 30 June 2010.



## Report of the Directors

**SHARE OPTIONS (cont'd)****GuocoLand Limited ("GLL")****GuocoLand Limited Executives' Share Option Scheme (the "GLL ESOS")**

The GLL ESOS was approved by the shareholders of GLL on 31 December 1998 and further approved by the shareholders of the Company on 1 February 1999. In October 2004, the approvals of shareholders of GLL and the Company were sought to effect various amendments to the rules of the GLL ESOS (the "Rules") to, among others, allow grant of options over newly issued and/or existing shares of GLL and to align the Rules with Chapter 17 of the Listing Rules (the "Modified GLL ESOS").

In view that the Modified GLL ESOS was due to expire on 30 December 2008, a new GuocoLand Limited Executives' Share Option Scheme 2008 (the "GLL ESOS 2008") was adopted in place of the Modified GLL ESOS on 21 November 2008, to provide for continuation of an executives' share option scheme on terms substantially similar to the Modified GLL ESOS. With the GLL ESOS 2008 in place, the Modified GLL ESOS is no longer in force. The termination of the Modified GLL ESOS however does not affect outstanding options which had been granted and accepted thereunder.

As at 1 July 2009, outstanding options comprised 34,715,100 GLL shares. During the year, options comprising 10,528,350 GLL shares were exercised. No options were granted nor had any options lapsed. As at 30 June 2010, the number of GLL shares comprised in the outstanding options was 24,186,750.

Details of the said options are as follows:

Date of grant	No. of GLL shares comprised in options				Adjusted exercise price per GLL share	
	As at 1 July 2009	Notes	Exercised during the year	Notes		As at 30 June 2010
1 November 2004	5,975,550	1a	5,975,550	1b	–	S\$1.045
30 May 2005	4,552,800	2	4,552,800	1b	–	S\$1.159
19 January 2007	24,186,750	3	–		24,186,750	S\$2.328
Total:	<u>34,715,100</u>				<u>24,186,750</u>	

## Report of the Directors

**SHARE OPTIONS (cont'd)****GuocoLand Limited (“GLL”) (cont'd)****GuocoLand Limited Executives' Share Option Scheme (the “GLL ESOS”) (cont'd)**

Notes:

1a. Pursuant to certain financial and performance targets being met by the grantees during the performance period for the financial years 2004/05 to 2006/07, grantees were notified by the GLL ESOS Committee in August 2007 of the vesting of a total of 14,227,500 GLL shares comprised in the vested options. The grantees were given an exercise period of up to two years from the date of vesting to exercise the vested options in accordance with the terms of their grant. During the financial years 2007/08 and 2008/09, 8,251,950 GLL shares were exercised under the terms of the grant, leaving a balance of outstanding vested options in respect of 5,975,550 GLL shares as at 1 July 2009.

1b. The options comprising an aggregate of 10,528,350 GLL shares were exercised as follows:

<b>Exercise date</b>	<b>No. of GLL shares</b>	<b>Closing market prices per GLL share immediately before the exercise date</b>
12 August 2009	569,100	S\$2.13
19 August 2009	3,699,150	S\$2.08
20 August 2009	2,845,500	S\$2.01
12 November 2009	3,414,600	S\$1.89

2. Pursuant to certain financial and performance targets being met by the grantee during the performance period for the financial years 2005/06 to 2006/07, the grantee was notified by the GLL ESOS Committee in August 2007 and November 2007 of the vesting of the option in respect of the remaining 4,552,800 GLL shares in accordance with the terms of the grant.

3. Subject to certain financial and performance targets being met by the grantees during the performance period for the financial years 2005/06 to 2010/11, the grantees at the end of performance period may be notified by the GLL ESOS Committee of the vesting of the options and the number of GLL shares comprised in the vested options. Thereafter, grantees shall have a phased period of up to 30 months to exercise the vested options in accordance with the terms of the grant.

**GuocoLand Limited Executives' Share Option Scheme 2008 (the “GLL ESOS 2008”)**

The GLL ESOS 2008 was approved by the shareholders of GLL on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the “Effective Date”) to replace the Modified GLL ESOS. Under the GLL ESOS 2008, options may be granted over newly issued and/or existing shares of GLL to eligible participants including employees and executive directors of GLL and its subsidiaries who are not controlling shareholders of GLL.

The GLL ESOS 2008 provides an opportunity for the employees of the GLL Group who have contributed to the growth and development of the GLL Group to participate in the equity of GLL.

The GLL ESOS Committee shall select confirmed employees (including executive directors) of the GLL Group to become participants in the GLL ESOS 2008.

## Report of the Directors

### SHARE OPTIONS (cont'd)

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

##### *GuocoLand Limited Executives' Share Option Scheme 2008 (the "GLL ESOS 2008") (cont'd)*

The number of GLL shares over which the GLL ESOS Committee may grant options under the GLL ESOS 2008 on any date shall not in aggregate exceed 15% of the issued share capital of GLL on the day preceding that date, provided that the maximum aggregate number of new GLL shares over which the GLL ESOS Committee may grant options when added to the number of new GLL shares issued and issuable in respect of all options granted under the GLL ESOS 2008, shall not exceed 10% of the issued share capital of GLL as at the Effective Date. As at the date of this report, the total number of new GLL shares available for issue over which options under the GLL ESOS 2008 may be granted is 88,752,995, which represents approximately 10% of the issued share capital of GLL.

The maximum entitlement of any participant in respect of the total number of new GLL shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed 1% of the share capital of GLL in issue as at any date of grant.

The grant of option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1 as consideration.

The exercise price per GLL share shall be a price equal to the 5-day weighted average market price of the GLL shares immediately prior to the date of grant of the option. An option shall be exercisable within such period commencing on the date after (a) the second anniversary of the date of grant (for participants who have been employed for less than one year) and (b) the first anniversary of the date of grant (for all other participants) and ending on a date not later than 10 years after the date of grant.

The GLL ESOS 2008 shall continue to be in force at the discretion of the GLL ESOS Committee, subject to a maximum period of 10 years commencing on the Effective Date till 20 November 2018.

No option was outstanding as at 1 July 2009. During the year, options comprising 12,250,000 GLL shares were granted and no options were exercised. Options comprising 2,000,000 GLL shares lapsed arising from the resignation of a grantee in March 2010. As at 30 June 2010, the number of GLL shares comprised in the outstanding options was 10,250,000.

## Report of the Directors

**SHARE OPTIONS (cont'd)****GuocoLand Limited (“GLL”) (cont'd)****GuocoLand Limited Executives' Share Option Scheme 2008 (the “GLL ESOS 2008”) (cont'd)**

Details of the said options are as follows:

<b>Date of grant</b>	<b>No. of GLL shares comprised in options</b>				<b>Notes</b>	<b>Exercise price per GLL share</b>
	<b>As at 1 July 2009</b>	<b>Granted during the year</b>	<b>Lapsed during the year</b>	<b>As at 30 June 2010</b>		
28 September 2009	–	12,250,000	2,000,000	10,250,000	1 & 2	S\$2.29
				Total: <u>10,250,000</u>		

Notes:

- Subject to certain financial and performance targets being met by the grantees during the performance period for the financial years 2009/10 to 2011/12, the grantees at the end of the performance period may be notified by the GLL ESOS Committee of the vesting of the options. Thereafter, grantees shall have a phased period of up to 30 months to exercise the vested options in accordance with the terms of the grant. The exercise price was determined based on the 5-day weighted average market price of GLL shares immediately prior to 28 September 2009. The weighted average market price per GLL share as at 28 September 2009 was S\$2.28.
- Based on the Black-Scholes option pricing model, the fair values of the options granted as at the date of grant on 28 September 2009 ranged from S\$0.69 to S\$0.72 per option. The assumptions in the Black-Scholes model used to estimate the value of the options are as follows:
  - risk-free interest rate of 0.6% to 1.3%, based on the yields of Singapore Government Securities bonds in issue on the date of grant;
  - expected volatility of 42.2% to 49.8%, based on 1-year historical volatility prior to the date of grant;
  - expected dividend yield of 2.2%, based on historical dividend payout over the market share price of GLL on the date of grant; and
  - expected option life of 3.2 years to 5.2 years.

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



## Report of the Directors

### SHARE OPTIONS (cont'd)

#### GuocoLeisure Limited ("GL")

##### *The GuocoLeisure Limited Executives' Share Option Scheme 2008 (the "GL ESOS 2008")*

The GL ESOS 2008 was approved by the shareholders of GL on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the "GL ESOS Effective Date"). The GL ESOS 2008 allows the grant of options over newly issued and/or existing shares of GL to eligible participants including employees and executive directors of GL and its subsidiaries (the "GL Group") who are not controlling shareholders of GL.

The GL ESOS 2008 provides an opportunity for the employees of the GL Group who have contributed to the growth and development of the GL Group to participate in the equity of GL.

A committee (the "GL ESOS Committee") comprising directors of GL who are presently not participants of the GL ESOS 2008 shall select confirmed employees (including executive directors) of the GL Group to become participants in the GL ESOS 2008.

The number of GL shares comprised in the options which the GL ESOS Committee may grant under the GL ESOS 2008 on any date shall not in aggregate exceed 15% of the issued share capital of GL on the day preceding that date, provided that the maximum aggregate number of new GL shares comprised in the options which the GL ESOS Committee may grant when added to the number of new GL shares issued and issuable in respect of all options granted under the GL ESOS 2008, shall not exceed 10% of the issued share capital of GL as at the GL ESOS Effective Date. As at the date of this report, the total number of new GL shares available for issue over which options under the GL ESOS 2008 may be granted is 136,806,363, which represents approximately 10% of the issued share capital of GL.

The maximum entitlement of any participant in respect of the total number of new GL shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed 1% of the share capital of GL in issue as at any date of grant.

The grant of an option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1 as consideration.

The exercise price per GL share shall be a price equal to the 5-day weighted average market price of the GL shares immediately prior to the date of grant of the option. An option shall be exercisable within such period commencing on the date after (a) the second anniversary of the date of grant (for participants who have been employed for less than one year), and (b) the first anniversary of the date of grant (for all other participants) and ending on a date not later than 10 years after the date of grant.

The GL ESOS 2008 shall continue to be in force at the discretion of the GL ESOS Committee, subject to a maximum period of 10 years commencing from the GL ESOS Effective Date till 20 November 2018.

No options were granted pursuant to the GL ESOS 2008 from the GL ESOS Effective Date up to 30 June 2010.

## SHARE OPTIONS (cont'd)

### GuocoLand (Malaysia) Berhad ("GLM")

#### *Executive Share Option Scheme (the "GLM ESOS")*

The GLM ESOS as approved by the shareholders of GLM, was established on 23 January 2006 ("GLM Adoption Date"). Under the GLM ESOS, the exercise of options could be satisfied through issuance of new shares and/or transfer of existing shares of GLM. On 1 June 2007 ("Approval Date"), the approval of shareholders of the Company was sought to effect various amendments to the Bye-Laws of the GLM ESOS for the purpose of compliance with Chapter 17 of the Listing Rules (the "Modified GLM ESOS").

The Modified GLM ESOS provides an opportunity for the eligible participants (selected by the board of directors of GLM or its duly authorised committee/individual, the "GLM Board") being executives or directors (executive or non-executive) of GLM and its subsidiaries (the "GLM Group") who have contributed to the growth and development of the GLM Group to participate in the equity of GLM.

The number of GLM shares over which the GLM Board may grant options under the Modified GLM ESOS on any date shall not in aggregate exceed 15% of the issued share capital of GLM at any one time provided that the total number of new GLM shares which may be issued upon exercise of options to be granted under the Modified GLM ESOS shall not exceed 10% of the issued share capital of GLM as at the Approval Date. Accordingly, the maximum number of new GLM shares available for issue over which options under the Modified GLM ESOS may be granted is 70,045,851, which represents approximately 10% of the issued share capital of GLM as at the date of this report.

The maximum entitlement of any participant in respect of the total number of new GLM shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed 1% of the share capital of GLM in issue as at any date of grant.

The grant of option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of RM1 as consideration.

The GLM Board may at its discretion determine the exercise price for each GLM share provided that such exercise price so fixed shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of GLM shares preceding the date of grant and shall in no event be less than the par value of the GLM shares. An option shall be exercisable at any time during the option period which shall be determined by the GLM Board provided that such period shall not be more than 10 years from the GLM Adoption Date.

The Modified GLM ESOS shall continue to be in force for a period of 10 years commencing from the GLM Adoption Date till 22 January 2016.

Since the establishment up to 30 June 2010, no options had been granted pursuant to the Modified GLM ESOS.



## Report of the Directors

### SHARE OPTIONS (cont'd)

Save for above, certain other subsidiaries of Hong Leong Company (Malaysia) Berhad maintain share option schemes or plans which subsisted at the end of the year or at any time during the year, under which eligible directors of the Company may be granted share options for acquisition of shares of respective companies concerned. No person, being a director of the Company during the year, held shares acquired in pursuance of certain aforesaid share option schemes or plans.

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

### DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2010, other than the interests and short positions of the directors of the Company disclosed above, the persons who had interests or short positions in the shares and underlying shares of 5% or more in the Company's issued share capital as recorded in the register maintained by the Company under Section 336 of the SFO are as follows. Certain information herein is based on additional information of the relevant events on or before 30 June 2010 with the disclosure deadlines under the SFO falling after 30 June 2010.

Shareholders	Capacity	Number of shares/ underlying shares (Long Position)	Notes	Approx. % of the issued share capital
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	244,425,391	1	74.28%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	244,425,391	2 & 3	74.28%
Hong Leong Investment Holdings Pte Ltd ("HLInvst")	Interest of controlled corporations	244,425,391	2 & 4	74.28%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	244,425,391	2 & 5	74.28%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	244,425,391	2 & 6	74.28%
Third Avenue Management LLC	Investment Manager	16,440,300		5.00%
Arnhold and S. Bleichroeder Advisers, LLC	Investment Manager	19,758,840		6.00%

## Report of the Directors

**DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS  
(cont'd)**

Notes:

1. These interests comprised 239,225,391 ordinary shares of the Company and 5,200,000 underlying shares of unlisted cash settled derivatives.

These interests comprised the respective direct interests held by:

	<u>Number of shares/underlying shares</u>
GuoLine Overseas Limited ("GOL")	235,198,529
GuoLine Capital Limited ("GCL")	5,200,000
Asian Financial Common Wealth (PTC) Limited ("AFCW")	4,026,862

AFCW was wholly owned by the Company which was in turn 71.48% owned by GOL. GOL and GCL were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by HLCM.

2. The interests of HLCM, HLH, HLInv, Davos and KLK are duplicated.
3. HLH was deemed to be interested in these interests through its controlling interests in HLCM which was 49.11% owned by Mr Quek Leng Chan as to 2.43% under his personal name and 46.68% via HLH which was wholly owned by him.
4. HLInv was deemed to be interested in these interests through its controlling interests of 34.49% in HLCM.
5. Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLInv.
6. KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which should be disclosed pursuant to the Part XV of the SFO or as recorded in the register maintained by the Company under Section 336 of the SFO.

**INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS****Master Services Agreements**

The following master services agreements dated 25 June 2008 were entered into by the Company (together with its subsidiaries, the "Group") with certain Hong Leong group companies for the provision by the latter of management services including overview of businesses and operations, investment management and financial management disciplines, treasury and risk management, key managerial recruitment and retention, productivity and quality programmes and other operating practices and procedures as well as planning and development of management information system (the "Services"):

1. the master services agreement entered into by the Company with GuoLine Group Management Co. Limited ("GGMC") and GOMC Limited ("GOMC") for provision of the Services by GGMC or GOMC to the Company and/or all the subsidiaries of the Company from time to time excluding those subsidiaries which are from time to time incorporated, resident or having principal place of business in Malaysia ("Malaysian Subsidiaries") (hereinafter referred to as "GGMC/GOMC Agreement"); and

## Report of the Directors

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

#### Master Services Agreements (cont'd)

2. the master services agreement entered into by the Company with HL Management Co Sdn Bhd (“HLMC”) for provision of the Services by HLMC to the Malaysian Subsidiaries (hereinafter referred to as “HLMC Agreement”),

(collectively, the “Master Services Agreements”).

The Master Services Agreements are for a term of three financial years from 1 July 2008 to 30 June 2011.

The fees payable under the respective Master Services Agreements comprise a monthly fee (the “Monthly Fee”) as agreed from time to time between the Company or such service recipient and the relevant service provider and an annual fee (the “Annual Fee”) equal to three per cent of the annual profit before tax of such service recipient as shown in its audited profit and loss account for the relevant financial year, subject to appropriate adjustment, if any.

The total fees, being the sum of the Monthly Fee, the Annual Fee and the total amount of any fees paid or payable by the Group to any Hong Leong Group company for services of a similar nature as the Services, are subject to an annual cap of HK\$352,000,000 (the “Annual Cap”) for each of the three financial years ending 30 June 2011.

GGMC, GOMC and HLMC are indirect wholly-owned subsidiaries of Hong Leong Company (Malaysia) Berhad (“HLCM”), the ultimate holding company of the Company and thus they are associates of connected person of the Company under the Hong Kong Listing Rules (the “Listing Rules”).

As Mr Quek Leng Chan and his associate own 5% or more of the issued share capital of HLCM, he is deemed materially interested in the Master Services Agreements pursuant to the Bye-Laws of the Company.

The independent non-executive directors of the Company had reviewed the transactions under the Master Services Agreements during the year and confirmed that:

- a. the transactions under the Master Services Agreements for the year were entered into:
  - in the ordinary and usual course of business of the Group;
  - on terms no less favourable to the Group than the respective terms available from independent third parties; and
  - in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## Report of the Directors

**INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)****Master Services Agreements (cont'd)**

- b. the total services fees paid and payable by the Group under the respective Master Services Agreements for the year were as follows:

	<b>Services fees paid and payable by the Group</b>
	HK\$'000
GGMC/GOMC Agreement	90,083
HLMC Agreement	4,385
	<hr/>
Total:	94,468
	<hr/>
	(<HK\$352 million)

The aggregate services fees paid and payable by the Group under the Master Services Agreements for the year amounted to approximately HK\$94 million which did not exceed the Annual Cap of HK\$352 million as disclosed in the Company's announcement dated 25 June 2008.

**Share Option Schemes****1. Provision of Finances to the Trust for the Executives' Share Option Schemes of GuocoLand Limited**

GuocoLand Limited ("GLL") obtained shareholders' approval in October 2004 to modify its Executives' Share Option Scheme (the "GLL ESOS") to provide for the satisfaction of the exercise of options through issue of new GLL shares and/or transfer of existing GLL shares. Approval of the shareholders of the Company on such modification to the GLL ESOS was also obtained in October 2004.

A trust for the GLL ESOS (the "GLL Trust") was established pursuant to a trust deed (the "Trust Deed") between GLL and a trustee of the GLL Trust (the "Trustee" which is a trust company unrelated to GLL) to acquire existing GLL shares for the purpose of the GLL ESOS. GLL or its subsidiaries ("GLL Group") will provide finances to the GLL Trust from time to time to enable it to acquire existing GLL shares for the purpose of the GLL ESOS.

The GLL ESOS was terminated on 21 November 2008 and was replaced by a new GuocoLand Limited Executives' Share Option Scheme 2008 adopted on even date (the "GLL ESOS 2008"). The trust deed for the GLL ESOS was then amended such that the Trustee may also hold GLL shares for the purpose of the GLL ESOS 2008.

The GLL Trust, whose beneficiaries include eligible participants of the GLL ESOS or the GLL ESOS 2008 who may be executive directors of the GLL Group, is deemed to be a connected person of the Company under the Listing Rules.

## Report of the Directors

**INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)****Share Option Schemes (cont'd)****1. Provision of Finances to the Trust for the Executives' Share Option Schemes of GuocoLand Limited (cont'd)**

The provision of finances to the GLL Trust from time to time constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company had reviewed such continuing connected transactions during the year and confirmed that during the year, the maximum subsisting amount of the finances provided by the GLL Group for the purchases of existing GLL shares was approximately S\$126 million which did not exceed the cap amount of S\$150 million or its equivalent as disclosed in the announcement of the Company dated 17 July 2007. The provision of such finances were made:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms; and
- in accordance with the relevant document governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Options in respect of up to 12,250,000 GLL shares were granted under the GLL ESOS 2008 during the year.

**2. Provision of Finances to the Trust for the Executive Share Option Scheme of GuocoLand (Malaysia) Berhad ("GLM ESOS")**

The GLM ESOS was approved and adopted by the shareholders of GuocoLand (Malaysia) Berhad ("GLM") in January 2006 to provide for the satisfaction of the exercise of options through issue of new GLM shares and/or transfer of existing GLM shares. The GLM ESOS with modifications in compliance with the Listing Rules was approved by the shareholders of the Company in June 2007.

A trust for the GLM ESOS (the "GLM Trust") was established pursuant to a trust deed between GLM and a trustee of the GLM Trust (the "Trustee", an indirect subsidiary of HLCCM which is the ultimate holding company of the Company) to acquire existing GLM shares for the purpose of the GLM ESOS. GLM or its subsidiaries ("GLM Group") will provide finances to the GLM Trust from time to time to enable it to acquire the existing GLM shares for the purpose of the GLM ESOS.

The GLM Trust, whose beneficiaries include eligible participants of the GLM ESOS who may be chief executives and directors of the GLM Group, is deemed to be a connected person of the Company under the Listing Rules.



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

### Share Option Schemes (cont'd)

#### 2. *Provision of Finances to the Trust for the Executive Share Option Scheme of GuocoLand (Malaysia) Berhad ("GLM ESOS") (cont'd)*

The provision of finances to the GLM Trust from time to time constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company had reviewed such continuing connected transactions during the year and confirmed that during the year, the maximum subsisting amount of the finances provided by the GLM Group for the purchases of existing GLM shares was approximately RM24 million which did not exceed the cap amount of RM83 million as disclosed in the announcement of the Company dated 30 June 2009. The provision of such finances were made:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms; and
- in accordance with the relevant document governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

No options have ever been granted under the GLM ESOS.

### Banking Transactions

The Group has from time to time entered into, and may in future enter into, among others, the following transactions with the authorised financial institutions within Hong Leong Group including Hong Leong Bank Berhad ("HLB") and Hong Leong Islamic Bank Berhad ("HLIB") (collectively, "Hong Leong Financial Institutions"):

- placing of deposits by the Group with Hong Leong Financial Institutions; and
- subscription for or purchase by the Group of debt securities issued by Hong Leong Financial Institutions,

(collectively, the "Banking Transactions").

The Banking Transactions are part of the treasury activities of the Group in the ordinary and usual course of its business. The treasury functions involve the management of cashflows and cash resources, which the Group conducts with various financial institutions.

HLB is an indirect subsidiary of HLCM and a subsidiary of an associated company of the Company while HLIB is a wholly owned subsidiary of HLB. The Banking Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.



## Report of the Directors

**INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)****Banking Transactions (cont'd)**

As Mr Quek Leng Chan and his associate own 5% or more of the issued share capital of HLCM, he is deemed materially interested in the Banking Transactions pursuant to the Bye-Laws of the Company.

From time to time during the year, the Group had placed deposits (including savings, current and other deposits in various currencies) with Hong Leong Financial Institutions as the deposit accepting banks (the "Deposit Transactions"). As at 30 June 2010, the balance of deposits placed by the Group with Hong Leong Financial Institutions was approximately US\$27 million.

The Deposit Transactions were based on the relevant market rates at the time of each transaction and are broadly the same as those engaged by the Group with other unconnected financial institutions. The interest rate for the savings and time deposits for various currencies placed by the Group with the Hong Leong Financial Institutions ranged from 0.0825% to 2.45% per annum. The tenor of the time deposits ranged from overnight to 1 month.

The independent non-executive directors of the Company had reviewed the Banking Transactions during the year and confirmed that,

- a. during the year, there is no subscription for or purchase by the Group of debt securities issued by Hong Leong Financial Institutions;
- b. during the year, the maximum aggregate outstanding balance of deposits placed by the Group with Hong Leong Financial Institutions was approximately US\$40 million which did not exceed the cap amount of US\$70 million or its equivalence as disclosed in the announcement of the Company dated 24 June 2009; and
- c. the Deposit Transactions were entered into:
  - in the ordinary and usual course of business of the Group;
  - on normal commercial terms; and
  - in accordance with the relevant documents governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

**Grants of Options by GuocoLand Limited ("GLL")**

On 28 September 2009, GLL granted options ("Options") in respect of up to 3,000,000 GLL shares to the following eligible employees ("Grantees") pursuant to The GuocoLand Limited Executives' Share Option Scheme 2008 (the "Scheme"):

<b>Grantees</b>	<b>No. of GLL shares under the Options</b>
Mr Tan Teck Huat	up to 2,000,000
Mrs Trina Loh	up to 1,000,000

## Report of the Directors

**INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)****Grants of Options by GuocoLand Limited (“GLL”) (cont'd)**

The Grantees who are directors of GLL's subsidiaries are deemed connected persons of the Company under the Listing Rules. The grants of Options to the Grantees constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

The exercise price for each GLL share under the Options is S\$2.29. Based on the exercise price, the aggregate consideration payable to acquire the GLL shares upon exercise of the Options will be S\$6.87 million.

The purposes of granting Options to the Grantees pursuant to the Scheme include aligning their long-term interests with those of GLL shareholders, and encouraging and motivating them to assume greater responsibility for the performance of the businesses they manage.

**Sales of Property Units by GuocoLand Limited (“GLL”)**

During the year, GLL launched Goodwood Residence, one of its residential property development projects in Singapore, for sale. Amongst the purchasers, the following connected persons/groups (“Connected Purchasers”) purchased property units in Goodwood Residence from GLL (via its wholly owned subsidiary). Each of the Connected Purchasers had bought one unit in Goodwood Residence with details as follows:

**Sales on 25 March 2010**

<b>Connected Purchaser (Relationship with the Company)</b>	<b>Consideration</b>
1. Austrian Pine Limited, an investment holding company of which Mr Quek Leng Chan (“QLC”) is interested  <i>Mr QLC is the Executive Chairman and a deemed substantial shareholder of the Company. He is a sibling of Messrs Kwek Leng Hai (“KLH”) and Kwek Leng San (“KLS”), directors of the Company.</i>	S\$18,800,000
2. Mr KLH  <i>Mr KLH is the President, CEO of the Company and a sibling of Messrs QLC and KLS.</i>	S\$13,818,000
3. Ms Kwek Guat Kim (“KGK”) and her family member  <i>Ms KGK is a sibling of Messrs QLC, KLH and KLS.</i>	S\$6,025,000
4. Mr Tang Hong Cheong (“THC”) and his family member  <i>Mr THC is a director of the subsidiaries of the Group.</i>	S\$4,694,000
5. Ms Lim Chew Yan (“LCY”)  <i>Ms LCY is a director of subsidiaries of the Group.</i>	S\$4,686,000
6. Mrs Trina Loh (“TL”) and her family member  <i>Mrs TL is a director of the subsidiaries of the GLL group.</i>	S\$6,655,350

## Report of the Directors

**INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)****Sales of Property Units by GuocoLand Limited ("GLL") (cont'd)****Sale on 1 April 2010**

<b>Connected Purchaser (Relationship with the Company)</b>	<b>Consideration</b>
Ms Kwek Lay Lian ("KLL")	S\$7,460,000

*Ms KLL is a sibling of Messrs QLC, KLH and KLS.*

**Sale on 16 April 2010**

<b>Connected Purchaser (Relationship with the Company)</b>	<b>Consideration</b>
Ms Ong Fong Wee, a family member of Mr Kwek Leng Kee ("KLK")	S\$7,450,000

*Mr KLK is a deemed substantial shareholder of the Company and the cousin of Messrs QLC, KLH and KLS.*

The Connected Purchasers, given their respective relationship set out above, are connected persons of the Company or their associates under the Listing Rules. The aforesaid sales of property units to the Connected Purchasers constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

All the purchasers of property units in Goodwood Residence, including the Connected Purchasers, are subject to the following payment schedule:

1. 5% of the consideration to be paid as a booking fee;
2. Another 15% to be payable after signing of the sale contract; and
3. Balance of the considerations to be payable by stages based on the progress of construction.

**Others**

During the year, the Group regularly conducts investment, insurance, stockbroking, nominee, custodian, share registration, lease of premises, management and administrative services as well as other activities in the ordinary course of business and on normal commercial terms with subsidiaries of, and companies related to, HLCM.

As Mr Quek Leng Chan and his associate own 5% or more of the issued shares of HLCM, he is deemed materially interested in the aforesaid transactions pursuant to the Bye-Laws of the Company.

Apart from the above, no contract of significance, to which the Company or any of its holdings companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## Report of the Directors

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors of HLCM, the ultimate holding company of the Company, which is a conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investment as well as hospitality and leisure.

The above directors are considered as having interests in business apart from the Group's business, which is likely to compete, directly or indirectly, with the Group's business under paragraph 8.10 of the Listing Rules.

**SUFFICIENCY OF PUBLIC FLOAT**

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

**AUDITORS**

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Kwek Leng Hai**

President, CEO

Hong Kong, 27 August 2010





## Independent Auditor's Report

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Guoco Group Limited (the "Company") set out on pages 73 to 167, which comprise the consolidated and company statements of financial position as at 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
27 August 2010

## Consolidated Income Statement

For the year ended 30 June 2010

	Note	2010 US\$'000	2009 US\$'000	2010 HK\$'000 (Note 1(c))	2009 HK\$'000 (Note 1(c))
Turnover	5	<b>2,260,789</b>	2,847,786	<b>17,598,886</b>	22,070,626
Revenue	5	<b>761,105</b>	1,147,931	<b>5,924,746</b>	8,896,580
Cost of sales		<b>(384,151)</b>	(762,953)	<b>(2,990,385)</b>	(5,912,962)
Other attributable costs		<b>(19,706)</b>	(20,143)	<b>(153,399)</b>	(156,110)
		<b>357,248</b>	364,835	<b>2,780,962</b>	2,827,508
Other revenue	6(a)	<b>51,921</b>	58,595	<b>404,174</b>	454,117
Other net income/(losses)	6(b)	<b>219,818</b>	(119,794)	<b>1,711,151</b>	(928,415)
Administrative and other operating expenses		<b>(236,103)</b>	(191,690)	<b>(1,837,920)</b>	(1,485,617)
Profit from operations before finance cost		<b>392,884</b>	111,946	<b>3,058,367</b>	867,593
Finance cost	7(a)	<b>(60,507)</b>	(66,386)	<b>(471,011)</b>	(514,498)
Profit from operations	14	<b>332,377</b>	45,560	<b>2,587,356</b>	353,095
Valuation surplus/(deficit) on investment properties		<b>4,555</b>	(59,705)	<b>35,458</b>	(462,720)
Share of profits of associates	7(c)	<b>81,050</b>	55,430	<b>630,926</b>	429,588
Share of profits/(losses) of jointly controlled entities	7(c)	<b>1,998</b>	(845)	<b>15,553</b>	(6,549)
Profit for the year before taxation	7	<b>419,980</b>	40,440	<b>3,269,293</b>	313,414
Tax (expenses)/credit	8(a)	<b>(17,202)</b>	37,344	<b>(133,907)</b>	289,420
Profit for the year		<b>402,778</b>	77,784	<b>3,135,386</b>	602,834
Attributable to:					
Shareholders of the Company	11	<b>363,626</b>	61,364	<b>2,830,611</b>	475,577
Non-controlling interests		<b>39,152</b>	16,420	<b>304,775</b>	127,257
Profit for the year		<b>402,778</b>	77,784	<b>3,135,386</b>	602,834
Appropriations:					
Final dividend paid in respect of prior year		<b>(62,908)</b>	(125,745)	<b>(489,701)</b>	(974,536)
Interim dividend paid in respect of current year		<b>(33,509)</b>	(20,960)	<b>(260,847)</b>	(162,442)
	12	<b>(96,417)</b>	(146,705)	<b>(750,548)</b>	(1,136,978)
Earnings per share					
Basic	13	<b>US\$ 1.12</b>	US\$ 0.19	<b>HK\$ 8.71</b>	HK\$ 1.46
Diluted	13	<b>1.12</b>	0.19	<b>8.71</b>	1.46
Proposed final dividend	12	<b>US\$'000 84,541</b>	US\$'000 63,687	<b>HK\$'000 658,103</b>	HK\$'000 493,577

The notes on pages 82 to 167 form part of these financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	2010 US\$'000	2009 US\$'000	2010 HK\$'000 (Note 1(c))	2009 HK\$'000 (Note 1(c))
<b>Profit for the year</b>	<b>402,778</b>	77,784	<b>3,135,386</b>	602,834
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>				
Exchange differences on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	<b>(39,388)</b>	(222,653)	<b>(306,612)</b>	(1,725,583)
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	<b>6,846</b>	10,439	<b>53,292</b>	80,903
Changes in fair value of available-for-sale financial assets	<b>102,555</b>	39,719	<b>798,329</b>	307,826
Transfer to profit or loss on derecognition/disposal of available-for-sale financial assets	<b>51,206</b>	49	<b>398,608</b>	380
Release of valuation reserve upon disposal of properties	<b>(145)</b>	(998)	<b>(1,129)</b>	(7,735)
Share of other comprehensive income of associates	<b>575</b>	703	<b>4,476</b>	5,448
<b>Other comprehensive income for the year, net of tax</b>	<b>121,649</b>	(172,741)	<b>946,964</b>	(1,338,761)
<b>Total comprehensive income for the year</b>	<b>524,427</b>	(94,957)	<b>4,082,350</b>	(735,927)
Total comprehensive income for the year attributable to:				
Shareholders of the Company	<b>495,804</b>	(15,467)	<b>3,859,536</b>	(119,872)
Non-controlling interests	<b>28,623</b>	(79,490)	<b>222,814</b>	(616,055)
	<b>524,427</b>	(94,957)	<b>4,082,350</b>	(735,927)

The notes on pages 82 to 167 form part of these financial statements.

## Consolidated Statement of Financial Position

As at 30 June 2010

	Note	2010 US\$'000	2009 US\$'000	2010 HK\$'000 (Note 1(c))	2009 HK\$'000 (Note 1(c))
<b>NON-CURRENT ASSETS</b>					
Fixed assets					
– Investment properties	15	<b>336,135</b>	280,057	<b>2,616,609</b>	2,170,470
– Other property, plant and equipment	15	<b>1,277,945</b>	1,353,787	<b>9,948,035</b>	10,491,985
Interest in associates	18	<b>679,864</b>	387,080	<b>5,292,333</b>	2,999,909
Interest in jointly controlled entities	19	<b>107,405</b>	99,163	<b>836,083</b>	768,523
Available-for-sale financial assets	22	<b>766,353</b>	434,356	<b>5,965,598</b>	3,366,302
Deferred tax assets	34	<b>149</b>	3,075	<b>1,160</b>	23,832
Intangible assets	16	<b>162,728</b>	161,184	<b>1,266,740</b>	1,249,192
Goodwill	23	<b>34,045</b>	33,903	<b>265,020</b>	262,752
		<b>3,364,624</b>	2,752,605	<b>26,191,578</b>	21,332,965
<b>CURRENT ASSETS</b>					
Development properties	24	<b>2,748,214</b>	2,960,825	<b>21,393,197</b>	22,946,690
Properties held for sale	25	<b>183,613</b>	262,567	<b>1,429,317</b>	2,034,921
Trade and other receivables	26	<b>293,102</b>	250,665	<b>2,281,623</b>	1,942,679
Trading financial assets	27	<b>2,329,733</b>	359,864	<b>18,135,574</b>	2,788,982
Cash and short term funds	28	<b>823,720</b>	2,944,242	<b>6,412,166</b>	22,818,170
		<b>6,378,382</b>	6,778,163	<b>49,651,877</b>	52,531,442
<b>CURRENT LIABILITIES</b>					
Trade and other payables	29	<b>737,654</b>	702,810	<b>5,742,194</b>	5,446,848
Current portion of bank loans and other borrowings	30	<b>952,469</b>	740,390	<b>7,414,400</b>	5,738,097
Taxation	8(d)	<b>41,009</b>	28,044	<b>319,230</b>	217,344
Provisions and other liabilities	33	<b>1,256</b>	1,622	<b>9,777</b>	12,571
		<b>1,732,388</b>	1,472,866	<b>13,485,601</b>	11,414,860
<b>NET CURRENT ASSETS</b>					
		<b>4,645,994</b>	5,305,297	<b>36,166,276</b>	41,116,582
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>8,010,618</b>	8,057,902	<b>62,357,854</b>	62,449,547

## Consolidated Statement of Financial Position

As at 30 June 2010

	Note	2010 US\$'000	2009 US\$'000	2010 HK\$'000 (Note 1(c))	2009 HK\$'000 (Note 1(c))
<b>NON-CURRENT LIABILITIES</b>					
Non-current portion of bank loans and other borrowings	31	<b>1,394,921</b>	1,777,627	<b>10,858,623</b>	13,776,787
Provisions and other liabilities	33	<b>6,858</b>	10,750	<b>53,385</b>	83,314
Deferred tax liabilities	34	<b>81,540</b>	105,771	<b>634,740</b>	819,736
		<b>1,483,319</b>	1,894,148	<b>11,546,748</b>	14,679,837
<b>NET ASSETS</b>					
		<b>6,527,299</b>	6,163,754	<b>50,811,106</b>	47,769,710
<b>CAPITAL AND RESERVES</b>					
Share capital	35(c)	<b>164,526</b>	164,526	<b>1,280,736</b>	1,275,093
Reserves		<b>5,404,661</b>	4,956,961	<b>42,072,043</b>	38,416,944
Equity attributable to shareholders of the Company		<b>5,569,187</b>	5,121,487	<b>43,352,779</b>	39,692,037
Non-controlling interests		<b>958,112</b>	1,042,267	<b>7,458,327</b>	8,077,673
<b>TOTAL EQUITY</b>		<b>6,527,299</b>	6,163,754	<b>50,811,106</b>	47,769,710

Approved and authorised for issue by the Board of Directors on 27 August 2010

**Kwek Leng Hai**

**Ding Wai Chuen**

*Directors*

The notes on pages 82 to 167 form part of these financial statements.

## Statement of Financial Position

As at 30 June 2010

	Note	2010 US\$'000	2009 US\$'000	2010 HK\$'000 (Note 1(c))	2009 HK\$'000 (Note 1(c))
<b>NON-CURRENT ASSETS</b>					
Interest in subsidiaries	17	<b>3,673,152</b>	1,510,431	<b>28,593,284</b>	11,705,991
Held-to-maturity financial assets	21	<b>173,026</b>	159,134	<b>1,346,904</b>	1,233,304
Available-for-sale financial assets	22	<b>203</b>	203	<b>1,580</b>	1,573
		<b>3,846,381</b>	1,669,768	<b>29,941,768</b>	12,940,868
<b>CURRENT ASSETS</b>					
Trade and other receivables	26	<b>1,837</b>	1,857	<b>14,300</b>	14,392
Cash and short term funds	28	<b>244,184</b>	2,443,672	<b>1,900,826</b>	18,938,702
		<b>246,021</b>	2,445,529	<b>1,915,126</b>	18,953,094
<b>CURRENT LIABILITIES</b>					
Amounts due to subsidiaries	17	<b>236,330</b>	428,610	<b>1,839,687</b>	3,321,770
Trade and other payables	29	<b>2,632</b>	541	<b>20,489</b>	4,192
		<b>238,962</b>	429,151	<b>1,860,176</b>	3,325,962
<b>NET CURRENT ASSETS</b>		<b>7,059</b>	2,016,378	<b>54,950</b>	15,627,132
<b>NET ASSETS</b>		<b>3,853,440</b>	3,686,146	<b>29,996,718</b>	28,568,000
<b>CAPITAL AND RESERVES</b>					
Share capital	35	<b>164,526</b>	164,526	<b>1,280,736</b>	1,275,093
Reserves	35	<b>3,688,914</b>	3,521,620	<b>28,715,982</b>	27,292,907
<b>TOTAL EQUITY</b>		<b>3,853,440</b>	3,686,146	<b>29,996,718</b>	28,568,000

Approved and authorised for issue by the Board of Directors on 27 August 2010

**Kwek Leng Hai**  
**Ding Wai Chuen**  
*Directors*

The notes on pages 82 to 167 form part of these financial statements.





## Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Attributable to the Shareholders of the Company											Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Share premium US\$'000	Capital and other reserves US\$'000	Contributed surplus US\$'000	ESOP reserve US\$'000	Share option reserve US\$'000	Exchange translation reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Retained profits US\$'000	Total US\$'000		
At 1 July 2009	164,526	10,493	(26,685)	2,704	(41,104)	4,609	128,845	31,693	8,669	4,837,737	5,121,487	1,042,267	6,163,754
Profit for the year	-	-	-	-	-	-	-	-	-	363,626	363,626	39,152	402,778
Exchange differences on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	-	-	(2,272)	-	181	154	(35,617)	(164)	129	-	(37,589)	(1,799)	(39,388)
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	-	-	-	-	-	-	16,809	-	-	-	16,809	(9,963)	6,846
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	101,322	-	-	101,322	1,233	102,555
Transfer to profit or loss on derecognition/disposal of available-for-sale financial assets	-	-	-	-	-	-	-	51,206	-	-	51,206	-	51,206
Release of valuation reserve upon disposal of properties	-	-	-	-	-	-	-	-	(145)	-	(145)	-	(145)
Share of other comprehensive income of associates	-	-	269	-	-	-	-	-	-	306	575	-	575
Total comprehensive income for the year	-	-	(2,003)	-	181	154	(18,808)	152,364	(16)	363,932	495,804	28,623	524,427
Transfer between reserves	-	-	3,858	-	-	-	-	-	-	(3,858)	-	-	-
Equity settled share-based transactions	-	-	-	-	-	1,563	-	-	-	-	1,563	833	2,396
Transfer of shares to employees upon exercise of share options by a subsidiary	-	-	9,197	-	-	-	-	-	-	-	9,197	(958)	8,239
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	38,929	38,929	(96,754)	(57,825)
Release of reserves upon liquidation of subsidiaries	-	-	(1,423)	(160)	-	-	207	-	-	-	(1,376)	-	(1,376)
Redemption of convertible bonds of a subsidiary	-	-	(13,556)	-	-	-	-	-	-	13,556	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(15,899)	(15,899)
Final dividend paid in respect of the prior year	-	-	-	-	-	-	-	-	-	(62,908)	(62,908)	-	(62,908)
Interim dividend paid in respect of the current year	-	-	-	-	-	-	-	-	-	(33,509)	(33,509)	-	(33,509)
At 30 June 2010	164,526	10,493	(30,612)	2,544	(40,923)	6,326	110,244	184,057	8,653	5,153,879	5,569,187	958,112	6,527,299

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Attributable to the Shareholders of the Company											Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Share premium US\$'000	Capital and other reserves US\$'000	Contributed surplus US\$'000	ESOP reserve US\$'000	Share option reserve US\$'000	Exchange translation reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Retained profits US\$'000	Total US\$'000		
At 1 July 2008	164,526	10,493	(37,442)	2,704	(40,846)	4,441	250,349	(9,271)	9,908	4,926,073	5,280,935	1,213,186	6,494,121
Profit for the year	-	-	-	-	-	-	-	-	-	61,364	61,364	16,420	77,784
Exchange differences on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	-	-	4,769	-	(258)	(266)	(109,985)	(39)	(241)	-	(106,020)	(116,633)	(222,653)
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	-	-	-	-	-	-	(11,519)	-	-	-	(11,519)	21,958	10,439
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	40,954	-	-	40,954	(1,235)	39,719
Transfer to profit or loss on disposal of available-for-sale financial assets	-	-	-	-	-	-	-	49	-	-	49	-	49
Release of valuation reserve upon disposal of properties	-	-	-	-	-	-	-	-	(998)	-	(998)	-	(998)
Share of other comprehensive income of associates	-	-	703	-	-	-	-	-	-	-	703	-	703
Total comprehensive income for the year	-	-	5,472	-	(258)	(266)	(121,504)	40,964	(1,239)	61,364	(15,467)	(79,490)	(94,957)
Transfer between reserves	-	-	2,995	-	-	-	-	-	-	(2,995)	-	-	-
Equity settled share-based transactions	-	-	-	-	-	434	-	-	-	-	434	102	536
Transfer of shares to employees upon exercise of share options by a subsidiary	-	-	2,290	-	-	-	-	-	-	-	2,290	(235)	2,055
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(51,604)	(51,604)
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(10,083)	(10,083)
Share capital reduction in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(4,830)	(4,830)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(23,989)	(23,989)
Cash distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(790)	(790)
Final dividend paid in respect of the prior year	-	-	-	-	-	-	-	-	-	(125,745)	(125,745)	-	(125,745)
Interim dividend paid in respect of the current year	-	-	-	-	-	-	-	-	-	(20,960)	(20,960)	-	(20,960)
At 30 June 2009	164,526	10,493	(26,685)	2,704	(41,104)	4,609	128,845	31,693	8,669	4,837,737	5,121,487	1,042,267	6,163,754

The notes on pages 82 to 167 form part of these financial statements.



## Consolidated Statement of Cash Flows

For the year ended 30 June 2010

Note	2010 US\$'000	2009 US\$'000
<b>Operating activities</b>		
Profit for the year before taxation	<b>419,980</b>	40,440
Adjustments for:		
– Finance cost	<b>60,507</b>	66,386
– Interest income	<b>(34,279)</b>	(70,680)
– Dividend income	<b>(32,056)</b>	(17,515)
– Depreciation	<b>28,047</b>	25,994
– Amortisation of Bass Strait oil and gas royalty	<b>6,704</b>	5,653
– Equity settled share-based payment expenses	<b>2,384</b>	711
– Recognition of negative goodwill	<b>–</b>	(23,207)
– Valuation (surplus)/deficit on investment properties	<b>(4,555)</b>	59,705
– (Write-back)/provision of impairment loss on properties	<b>(3,012)</b>	15,927
– Share of profits of associates	<b>(81,050)</b>	(55,430)
– Share of (profits)/losses of jointly controlled entities	<b>(1,998)</b>	845
– Net gains on disposal of fixed assets	<b>(50)</b>	(119)
– Net gains on liquidation of subsidiaries	<b>(5,506)</b>	–
– Gain on disposal of jointly controlled entities	<b>(6,731)</b>	–
– Gain on derecognition of available-for-sale financial assets	<b>(36,056)</b>	–
<b>Operating profit before changes in working capital</b>	<b>312,329</b>	48,710
Increase in trade and other receivables	<b>(36,299)</b>	(55,885)
(Increase)/decrease in trading financial assets	<b>(1,971,403)</b>	176,969
Increase in available-for-sale financial assets	<b>(355,719)</b>	(253,757)
Decrease in development properties	<b>271,875</b>	243,302
Decrease/(increase) in properties held for sale	<b>85,755</b>	(168,778)
Decrease in provisions and other liabilities	<b>(3,988)</b>	(9,829)
Increase in trade and other payables	<b>22,668</b>	32,620
<b>Cash generated (used in)/from operations</b>	<b>(1,674,782)</b>	13,352
Interest received	<b>33,158</b>	72,720
Dividend received from equity investment	<b>32,530</b>	17,251
Tax paid		
– Hong Kong Profits Tax paid	<b>(351)</b>	(858)
– Overseas tax paid	<b>(19,507)</b>	(3,229)
– Overseas tax refund	<b>–</b>	5,297
<b>Net cash (used in)/from operating activities</b>	<b>(1,628,952)</b>	104,533

## Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 US\$'000	2009 US\$'000
<b>Investing activities</b>			
Acquisition of subsidiaries	36 (b)	–	(56)
Net repayment from associates		191	510
Net advance to jointly controlled entities		(1,328)	(1,510)
Purchase of fixed assets		(18,340)	(51,139)
Additions in investment properties under development		(737)	–
Purchase of additional interests in associates		(1,361)	–
Purchase of intangible assets		(7,505)	–
Proceeds from disposal of subsidiaries	36 (d)	–	1,275
Proceeds from disposal of a jointly controlled entity		10,427	–
Proceeds from disposal of fixed assets		1,432	394
Dividends received from associates		22,603	17,540
Purchase of additional shareholdings in subsidiaries		(55,974)	(28,189)
<b>Net cash used in investing activities</b>		<b>(50,592)</b>	<b>(61,175)</b>
<b>Financing activities</b>			
Consideration received from employees upon exercise of share options		8,239	2,055
Distribution to non-controlling interests		–	(790)
Proceeds from bank loans and other borrowings		33,890	66,512
Repayment of medium term notes		–	(179,663)
Buy back mortgage debenture by a subsidiary		(3,805)	–
Repurchase of convertible bonds by a subsidiary		(245,987)	–
Interest paid		(96,638)	(97,681)
Dividends paid to non-controlling interests		(15,899)	(23,989)
Dividends paid to equity shareholders		(96,417)	(146,705)
<b>Net cash used in financing activities</b>		<b>(416,617)</b>	<b>(380,261)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,096,161)</b>	<b>(336,903)</b>
<b>Cash and cash equivalents at 1 July</b>	28	<b>2,944,242</b>	3,253,910
<b>Effect of foreign exchanges rates</b>		<b>(24,361)</b>	27,235
<b>Cash and cash equivalents at 30 June</b>	28	<b>823,720</b>	2,944,242

The notes on pages 82 to 167 form part of these financial statements.

## Notes to the Financial Statements

### 1. BASIS OF PREPARATION

#### (a) Statement of compliance

Although not required to do so under the Bye-Laws of the Company, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the 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.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

## Notes to the Financial Statements

**1. BASIS OF PREPARATION (cont'd)****(c) Hong Kong dollar amounts**

The Hong Kong dollar figures shown in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and statement of financial position are for information only. The Company's functional currency is United States dollars. The Hong Kong dollar figures are translated from United States dollars at the rates ruling at the respective financial year ends.

**2. SIGNIFICANT ACCOUNTING POLICIES****(a) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. 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 profit or loss as follows:

**(i) Interest income**

- Interest income is recognised as it accrues using the effective interest method.

**(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 arising from pre-sale of properties is recognised in the financial statements upon completion of the development of the property. 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 receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

**(vi)** Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

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

**(viii)** Casino revenue represents the gaming win before deduction of gaming duty.



## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(b) Investments***(i) Investments in debt and equity securities*

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest or dividends earned on these investments as these are recognised in accordance with the policies set out in notes 2(a)(i) and 2(a)(ii).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses (see note 2(k)(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(a)(ii), and where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(a)(i). When these investments are derecognised or impaired (see note 2(k)(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)(i)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(b) Investments (cont'd)***(i) Investments in debt and equity securities (cont'd)*

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

*(ii) Subsidiaries and non-controlling interests**Business combination*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

*Acquisitions on or after 1 July 2009*

For acquisitions on or after 1 July 2009, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.



## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(b) Investments (cont'd)***(ii) Subsidiaries and non-controlling interests (cont'd)**Acquisitions on or after 1 July 2009 (cont'd)*

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

*Acquisitions prior to 1 July 2009*

For acquisition prior to 1 July 2009, goodwill represented the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

*Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(b) Investments (cont'd)***(ii) Subsidiaries and non-controlling interests (cont'd)**Non-controlling interests*

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between the equity shareholders of the Company and non-controlling interests, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests.

Prior to 1 July 2009, where losses applicable to the non-controlling exceeded the non-controlling's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, were charged against the Group's interest except to the extent that the minority had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated all such profits until the minority's share of losses previously absorbed by the Group had been recovered.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l), (m), (o), (p) depending on the nature of the liability.

*Accounting for acquisitions of non-controlling interests*

From 1 July 2009, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised. Previously, goodwill arising on the acquisition of non-controlling interests in a subsidiary has been recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)).

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(b) Investments (cont'd)***(iii) Associates and jointly controlled entities*

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

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

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(d) and 2(k)(ii)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(k)(ii)).

**(c) Derivative financial instruments**

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(d) Goodwill**

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group has changed its accounting policy with respect to accounting for business combinations (see note 2(b)(ii) for further details).

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(k)(i)).

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

**(e) Intangible assets**

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

**(f) Fixed assets and depreciation**

(i) Properties are stated at cost less accumulated depreciation and impairment loss (see note 2(k)(ii)). Depreciation is calculated to write off the cost of the assets less their estimated residual value using the straight-line method over their estimated useful lives as follows:

- Freehold land is not depreciated.



## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(f) Fixed assets and depreciation (cont'd)**

- Building situated on freehold land are depreciated over their remaining useful economic lives (up to 100 years).
  - Land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be reliably measured separately at the inception of the lease are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
- (ii) Furniture, fixtures and equipment are stated at cost less accumulated depreciation and impairment loss (see note 2(k)(ii)). Depreciation is calculated on a straight-line basis to write off the cost of the assets over their estimated useful lives, taken as being between 3 to 15 years.
- (iii) Both the useful life of an asset and its residual value, if any, are reviewed annually.
- (iv) On disposal of fixed assets, the profit or loss is determined as the difference between the net sale proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

**(g) Investment property**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(a)(v).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(h) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

**(i) Classification of assets leased to the Group**

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

**(ii) Assets acquired under finance leases**

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(h) Leased assets (cont'd)****(iii) Operating lease charges**

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or is held for sale (see note 2(i)).

**(i) Properties held for sale**

Properties held for sale are included in the statement of financial position at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

**(j) Development properties**

Development properties are stated at the lower of cost and estimated net realisable value, net of progress billings. Land, related acquisition expenses, development expenditure, interest and other related expenditure are capitalised as part of the cost of development properties.

**(k) Impairment of assets****(i) Impairment of investments in debt and equity securities and other receivables**

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(k) Impairment of assets (cont'd)***(i) Impairment of investments in debt and equity securities and other receivables (cont'd)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and jointly controlled entities recognised using the equity method (see note 2(b)(iii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale financial assets, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(k) Impairment of assets (cont'd)***(i) Impairment of investments in debt and equity securities and other receivables (cont'd)*

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- intangible assets;
- investments in subsidiaries; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 the 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).

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(k) Impairment of assets (cont'd)***(ii) Impairment of other assets (cont'd)*

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an 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 profit or loss in the year in which the reversals are recognised.

**(l) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(m) Preference share capital**

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(l) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.



## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(n) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of bad and doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts (see note 2(k)(i)).

**(o) Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(v)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(p) Convertible bonds**

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

**(q) 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 consolidated statement of cash flows.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(r) 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 profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, 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, 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits 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 profits will be available.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(r) Income tax (cont'd)**

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 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.

**(s) Translation of foreign currencies**

Foreign currency transactions during the year are translated into United States dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into United States dollars at the average exchange rates for the year. Items presented in the statement of financial position are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(t) Employee benefits***(i) Short term employee benefits and contributions to defined contribution retirement plans*

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

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in profit or loss as incurred.

The Group also contributed to retirement schemes of its overseas subsidiaries in accordance with their respective requirements and the contributions thereto are charged to profit or loss for the year.

*(ii) Defined benefit retirement plan obligations*

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future pension benefits to existing pensioners; those benefits are discounted to determine the present value and the fair value of any plan assets is deducted. The calculations are performed by a qualified actuary using the projected unit credit method. The amount of the excess of the present value of each fund's liabilities over the fair value of that fund's assets is recognised in profit or loss upon notification to the Group. The discount rate is the yield at the end of the reporting date on AAA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are accumulated in the statement of financial position. Any gains or losses greater than 10% of a scheme's assets or liabilities are written off to profit or loss over the average remaining service lives of the scheme's employees.



## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(t) Employee benefits (cont'd)****(iii) Share-based payments**

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in reserves until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

**(u) Borrowing costs**

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(v) Financial guarantees issued, provisions and contingent liabilities****(i) Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(v) Financial guarantees issued, provisions and contingent liabilities (cont'd)****(i) Financial guarantees issued (cont'd)**

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(v)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

**(ii) Contingent liabilities acquired in business combinations**

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(v)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(v)(iii).

**(iii) Other 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 expenditure 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.



## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(w) Related parties**

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**(x) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## Notes to the Financial Statements

### 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The key assumptions concerning the future and the accounting estimates that have a significant effect on the carrying value of assets and liabilities in the statement of financial position and the profit or loss items are discussed below:

**(a) Investment properties (Note 15)**

At 30 June 2010 and 2009, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted. Management has exercised its judgement and is satisfied with the method of valuation.

**(b) Impairment of assets**

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations. There are a number of assumptions and estimates involved in the calculations.

**(c) Income taxes (Notes 8 & 34)**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on its estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the period in which such determination is made.

**(d) Equity settled share-based transactions (Note 38)**

The Black-Scholes option pricing model was applied to estimate the fair value of share options granted by the Company and certain of its subsidiaries. This pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in input assumptions can materially affect the fair value estimate.

**(e) Defined benefit retirement plan obligations (Note 37)**

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future pension benefits to existing pensioners. Those benefits are discounted to determine the present value and the fair value of any plan assets is deducted. The calculations are performed by a qualified actuary using the projected unit credit method. The amount of the excess of the present value of each plan's liabilities over the fair value of that plan's assets is recognised in profit or loss upon notification to the Group.

## Notes to the Financial Statements

**3. ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)****(e) Defined benefit retirement plan obligations (Note 37) (cont'd)**

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

**4. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued the following new and revised HKFRS, amendments to HKFRSs and interpretations that are first effective for the current accounting period of the Group and the Company and are relevant to the Group's financial statements:

- HKAS 1 (Revised 2007), Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expenses or net assets for any period presented.

- HKFRS 8, Operating Segments

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is consistent with internal reporting provided to the Group's most senior executive management (see note 14). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- Improvements to HKFRSs 2008: Amendments to HKAS 40, Investment Property

As a result of amendments to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Upon adoption of the amendment with effect from 1 July 2009, the Group has reclassified certain properties which are currently under development for future use as investment properties from property, plant and equipment to investment properties.

## Notes to the Financial Statements

**4. CHANGES IN ACCOUNTING POLICIES (cont'd)**

## – Amendments to HKAS 27 (Revised) – Consolidated and Separate Financial Statements

## (i) Cost of an investment in a subsidiary, jointly controlled entity or associate

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 July 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods. Accounts of previous periods have not been restated.

## (ii) Accounting for acquisition of non-controlling interests

As a result of the amendments to HKAS 27 (Revised), the acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill arising on the acquisition of a non-controlling interest in a subsidiary was recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange. The change in accounting policy was applied prospectively.

## – Amendments to HKFRS 3 (Revised) – Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

For acquisitions on or after 1 July 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

## Notes to the Financial Statements

**4. CHANGES IN ACCOUNTING POLICIES (cont'd)**

- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 39(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

The adoption of these new interpretations and amendments have no material impact on the Group's results and financial positions as these changes will be first effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions. Accordingly, no prior period adjustment has been required.

The Group has not applied any new/revised standard or interpretation that is not yet effective for the current accounting period (see note 46).

**5. TURNOVER AND REVENUE**

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 principal investment, property development and investment, securities and commodities broking, investment advisory and hotel and gaming operations.

An analysis of the amount of each significant category of turnover and revenue from principal activities during the year is as follows:

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Revenue from sale of properties	<b>334,412</b>	688,229
Revenue from hotel and gaming operations	<b>332,318</b>	345,269
Interest income		
– from listed securities	<b>1,730</b>	10
– others	<b>32,549</b>	70,670
Dividend income from listed securities	<b>32,056</b>	17,515
Rental income from properties	<b>18,512</b>	18,575
Securities commission and brokerage	<b>7,022</b>	5,043
Others	<b>2,506</b>	2,620
Revenue	<b>761,105</b>	1,147,931
Proceeds from sale of investments in securities	<b>1,499,684</b>	1,699,855
Turnover	<b>2,260,789</b>	2,847,786

In addition to turnover, revenue is used in presenting segmental information in note 14.

## Notes to the Financial Statements

**6. OTHER REVENUE AND NET INCOME/(LOSSES)****(a) Other revenue**

	The Group	
	2010 US\$'000	2009 US\$'000
Sublease income	7,433	8,232
Bass Strait oil and gas royalty	38,623	39,155
Hotel management fee	3,467	5,361
Others	2,398	5,847
	<b>51,921</b>	58,595

**(b) Other net income/(losses)**

	The Group	
	2010 US\$'000	2009 US\$'000
Net realised and unrealised gains on trading financial assets	80,166	83,095
Net realised and unrealised gains/(losses) on derivative financial instruments	10,117	(15,762)
Net realised losses on disposal of available-for-sale financial assets	(56)	(6,421)
Gain on derecognition of available-for-sale financial assets (note 18(a))	36,056	–
Net gains/(losses) on foreign exchange contracts	3,599	(3,823)
Other exchange gains/(losses)	73,939	(180,659)
Net gains on disposal of fixed assets	50	119
Net gains on liquidation of subsidiaries	5,506	–
Gain on disposal of jointly controlled entities	6,731	–
Other income	3,710	3,657
	<b>219,818</b>	(119,794)

**7. PROFIT FOR THE YEAR BEFORE TAXATION**

Profit for the year before taxation is arrived at after charging/(crediting):

**(a) Finance cost**

	The Group	
	2010 US\$'000	2009 US\$'000
Interest on bank advances and other borrowings wholly repayable within five years	63,906	77,762
Other borrowing costs	38,294	37,948
Total borrowing costs	102,200	115,710
Less: borrowing costs capitalised into development properties (Note)	(41,693)	(49,324)
	<b>60,507</b>	66,386

Note: The borrowing costs have been capitalised at rates of 0.67% to 6.34% per annum (2009: 0.97% to 8.51%).

## Notes to the Financial Statements

**7. PROFIT FOR THE YEAR BEFORE TAXATION (cont'd)****(b) Staff cost**

	The Group	
	2010 US\$'000	2009 US\$'000
Contributions to defined contribution retirement plan	1,781	1,790
Expenses recognised in respect of defined benefit retirement plans (note 37(a)(v))	1,322	612
Total retirement costs	3,103	2,402
Equity settled share-based payment expenses	2,384	711
Salaries, wages and other benefits	128,959	126,170
	<b>134,446</b>	129,283

**(c) Other items**

	The Group	
	2010 US\$'000	2009 US\$'000
Depreciation	28,047	25,994
(Write-back)/provision of impairment loss on properties	(3,012)	15,927
Amortisation of Bass Strait oil and gas royalty	6,704	5,653
Operating lease charges		
– properties	3,858	4,515
– others	1,982	2,097
Auditors' remuneration		
– audit services	1,477	1,445
– tax services	–	5
– other services	53	128
Donations	350	523
Recognition of negative goodwill on acquisition of additional interests in subsidiaries	–	(23,207)
Gross rental income from investment properties	(18,512)	(18,575)
Less: direct outgoings	4,123	3,979
Net rental income	(14,389)	(14,596)
Share of (profits)/losses of associates:		
– listed	(81,493)	(54,433)
– unlisted	443	(997)
	<b>(81,050)</b>	(55,430)
Share of (profits)/losses of jointly controlled entities:		
– unlisted	(1,998)	845



## Notes to the Financial Statements

**8. TAXATION****(a) Tax (expenses)/credit in the consolidated income statement represents:**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Current tax – Hong Kong Profits Tax		
Tax for the year	<b>(2,914)</b>	–
Over-provision in respect of prior years	<b>15</b>	9,090
	<b>(2,899)</b>	9,090
Current tax – Overseas		
Tax for the year	<b>(36,180)</b>	(9,973)
Over-provision in respect of prior years	<b>6,550</b>	11,152
	<b>(29,630)</b>	1,179
Deferred tax		
Origination and reversal of temporary differences	<b>15,327</b>	26,969
Effect of changes in tax rate on deferred tax balances	<b>–</b>	106
	<b>15,327</b>	27,075
	<b>(17,202)</b>	37,344

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year ended 30 June 2010. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

## Notes to the Financial Statements

**8. TAXATION (cont'd)****(b) Reconciliation between tax (expenses)/credit and accounting profit at applicable tax rates:**

	The Group			
	2010		2009	
	US\$'000	%	US\$'000	%
Profit before tax	<b>419,980</b>		40,440	
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	<b>(81,381)</b>	<b>(19.4)</b>	(9,835)	(24.3)
Tax effect of non-deductible expenses	<b>(49,899)</b>	<b>(11.9)</b>	(71,547)	(176.9)
Tax effect of non-taxable revenue	<b>85,753</b>	<b>20.4</b>	54,879	135.7
Tax effect of unused tax losses not recognised	<b>(5,406)</b>	<b>(1.3)</b>	(6,107)	(15.1)
Tax effect of utilisation of tax losses not previously recognised	<b>33,850</b>	<b>8.1</b>	52,658	130.2
Reversal of temporary differences not accounted for in previous years	<b>(2,328)</b>	<b>(0.6)</b>	(34)	–
Tax effect of changes in tax rate on deferred tax balances	–	–	106	0.3
Over-provision in respect of prior years	<b>6,565</b>	<b>1.6</b>	20,242	50.0
Others	<b>(4,356)</b>	<b>(1.0)</b>	(3,018)	(7.6)
Actual tax (expenses)/credit	<b>(17,202)</b>	<b>(4.1)</b>	37,344	92.3

**(c) Tax effects relating to the components of other comprehensive income:**

The net tax effects relating to the components of other comprehensive income were insignificant for disclosure purposes for the years 2010 and 2009.

**(d) Taxation in the statement of financial position represents:**

	The Group	
	2010 US\$'000	2009 US\$'000
Hong Kong Profits Tax	<b>2,906</b>	367
Overseas taxation	<b>38,103</b>	27,677
Taxation payable	<b>41,009</b>	28,044
Amount of taxation payable expected to be settled after more than 1 year	<b>690</b>	972

## Notes to the Financial Statements

## 9. DIRECTORS' REMUNERATION

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 and payable to each Director of the Company for the year ended 30 June 2010 are as below:

Name	The Group				2010 Total emoluments US\$'000
	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Discretionary bonuses US\$'000	Pension contributions US\$'000	
Quek Leng Chan	93	197	-	-	290
Kwek Leng Hai	92	754	546	60	1,452
Sat Pal Khattar**	134	-	-	-	134
Kwek Leng San*	28	-	-	-	28
Tan Lim Heng	-	404	41	1	446
James Eng, Jr. <sup>(1)</sup>	-	277	27	-	304
Volker Stoeckel**	40	-	-	-	40
Ding Wai Chuen <sup>(2)</sup>	7	318	103	13	441
Roderic N. A. Sage <sup>** (3)</sup>	30	-	-	-	30
	<b>424</b>	<b>1,950</b>	<b>717</b>	<b>74</b>	<b>3,165</b>

Name	The Group				2009 Total emoluments US\$'000
	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Discretionary bonuses US\$'000	Pension contributions US\$'000	
Quek Leng Chan	90	187	-	-	277
Kwek Leng Hai	81	754	99	60	994
Sat Pal Khattar**	103	-	-	-	103
Kwek Leng San*	28	-	-	-	28
Tan Lim Heng	-	405	-	1	406
James Eng, Jr.	-	480	54	-	534
Volker Stoeckel**	39	-	-	-	39
Ding Wai Chuen**	39	-	-	-	39
	<b>380</b>	<b>1,826</b>	<b>153</b>	<b>61</b>	<b>2,420</b>

Notes:

\* Non-executive director

\*\* Independent non-executive director

(1) Resigned with effective from 27 November 2009

(2) Redesignated as executive director from independent non-executive director with effective from 1 September 2009

(3) Appointed with effective from 2 October 2009



## Notes to the Financial Statements

**10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS**

Among the five highest paid individuals of the Group, one (2009: one) is a director whose remuneration is disclosed in note 9. The remuneration of the other four (2009: four) individuals is as follows:

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Salaries, allowances and benefits in kind	<b>2,045</b>	1,982
Discretionary bonuses	<b>213</b>	623
Share-based payments	<b>1,330</b>	1,467
Pension contributions	<b>60</b>	122
Compensation for loss of office	<b>–</b>	296
	<b>3,648</b>	4,490

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

<b>US\$</b>	<b>The Group</b>	
	<b>2010</b> <b>Number of</b> <b>individuals</b>	2009 Number of individuals
550,000 – 650,000	<b>1</b>	–
650,001 – 700,000	<b>1</b>	1
850,001 – 900,000	<b>1</b>	1
1,000,001 – 1,050,000	<b>–</b>	1
1,250,001 – 1,500,000	<b>1</b>	–
1,950,000 – 2,000,000	<b>–</b>	1
	<b>4</b>	4

**11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

The consolidated profit attributable to shareholders of the Company includes a profit of US\$264,905,000 (2009: US\$11,768,000) which has been dealt with in the financial statements of the Company.

## Notes to the Financial Statements

**12. DIVIDENDS**

	The Group		The Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Year 2008/2009: Final dividend paid of HK\$1.50 per ordinary share (Year 2007/2008: HK\$3.00 per ordinary share)	<b>62,908</b>	125,745	<b>63,687</b>	127,300
Year 2009/2010: Interim dividend paid of HK\$0.80 per ordinary share (Year 2008/2009: HK\$0.50 per ordinary share)	<b>33,509</b>	20,960	<b>33,924</b>	21,221
	<b>96,417</b>	146,705	<b>97,611</b>	148,521
Year 2009/2010: Proposed final dividend of HK\$2.00 per ordinary share (Year 2008/2009: HK\$1.50 per ordinary share)	<b>84,541</b>	63,687	<b>84,541</b>	63,687

The final dividend proposed for the year ended 30 June 2010 of US\$84,541,000 (2009: US\$63,687,000) is calculated based on 329,051,373 ordinary shares (2009: 329,051,373 ordinary shares) in issue as at 30 June 2010.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**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 the Company of US\$363,626,000 (2009: US\$61,364,000) and the weighted average number of 325,024,511 ordinary shares (2009: 325,024,511 ordinary shares) in issue during the year.

**(b) Diluted earnings per share**

Diluted earnings per share for the year ended 30 June 2010 and 2009 equal to the basic earnings per share as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

## Notes to the Financial Statements

**14. SEGMENT REPORTING**

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units engage in different business activities, offer different products and services and are managed separately. The following summary describes the operations in each of the Group's reportable segments:

Principal investment:	This segment covers equity and direct investments as well as treasury operations, with trading and strategic investments in global capital markets.
Property development and investment:	This segment engages in development of residential and commercial properties and holding properties for rental income in the key geographical markets of Singapore, China, Malaysia and Vietnam.
Hospitality and leisure business:	This business segment owns, leases or manages hotels and operates an integrated gaming location in the United Kingdom.
Securities, commodities and brokerage:	This segment provides stock and commodities broking and corporate advisory services principally in Hong Kong.
Oil and gas:	This segment receives royalty income from the entitlement of Bass Strait oil trust in Australia.
Financial services:	This segment covers commercial and consumer banking, Islamic banking, investment banking, life and general insurance, Takaful insurance, fund management and unit trust, corporate advisory services and stockbroking.

The accounting policies of the operating segments are the same as those described in the significant accounting policies in note 2. Performance is evaluated on the basis of profit or loss from operations before taxation. Inter-segment pricing is determined on an arm's length basis. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from Year 2008/09.

## Notes to the Financial Statements

**14. SEGMENT REPORTING (cont'd)**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

**(a) Reportable segment results, assets and liabilities****Segment results**

	Principal investment US\$'000	Property development and investment US\$'000	Hospitality and leisure business US\$'000	Securities, commodities and brokerage US\$'000	Oil and gas US\$'000	Financial services US\$'000	Total US\$'000
<b>For the year ended 30 June 2010</b>							
Turnover	1,553,062	358,625	340,613	8,489	-	-	2,260,789
Revenue from external customers	53,378	358,625	340,613	8,489	-	-	761,105
Inter-segment revenue	2,730	1,004	-	601	-	-	4,335
Reportable segment revenue	56,108	359,629	340,613	9,090	-	-	765,440
Segment results	219,948	92,363	49,098	1,781	31,867	-	395,057
Finance cost	(394)	(25,794)	(33,363)	(99)	(3,030)	-	(62,680)
Valuation surplus on investment properties	-	4,555	-	-	-	-	4,555
Share of profits of associates	4,773	1,786	16,955	-	-	57,536	81,050
Share of profits of jointly controlled entities	-	1,998	-	-	-	-	1,998
Profit before taxation	224,327	74,908	32,690	1,682	28,837	57,536	419,980
<b>For the year ended 30 June 2009</b>							
Turnover	1,789,208	706,872	345,269	6,437	-	-	2,847,786
Revenue from external customers	89,353	706,872	345,269	6,437	-	-	1,147,931
Inter-segment revenue	293	1,007	-	621	-	-	1,921
Reportable segment revenue	89,646	707,879	345,269	7,058	-	-	1,149,852
Segment results	(80,940)	94,183	64,873	446	33,419	-	111,981
Finance cost	(167)	(25,831)	(38,807)	(39)	(1,577)	-	(66,421)
Valuation deficit on investment properties	-	(59,705)	-	-	-	-	(59,705)
Share of profits/(losses) of associates	5,083	4,840	(1)	-	-	45,508	55,430
Share of losses of jointly controlled entities	-	(845)	-	-	-	-	(845)
Profit/(loss) before taxation	(76,024)	12,642	26,065	407	31,842	45,508	40,440



## Notes to the Financial Statements

**14. SEGMENT REPORTING (cont'd)****(a) Reportable segment results, assets and liabilities (cont'd)****Segment assets and liabilities**

	Principal investment US\$'000	Property development and investment US\$'000	Hospitality and leisure business US\$'000	Securities, commodities and brokerage US\$'000	Oil and gas US\$'000	Financial services US\$'000	Total US\$'000
<b>As at 30 June 2010</b>							
Reportable segment assets	3,417,993	4,076,171	1,304,343	39,643	117,587	-	8,955,737
Interest in associates	43,584	37,039	222,425	-	-	376,816	679,864
Interest in jointly controlled entities	-	107,405	-	-	-	-	107,405
<b>Total assets</b>	<b>3,461,577</b>	<b>4,220,615</b>	<b>1,526,768</b>	<b>39,643</b>	<b>117,587</b>	<b>376,816</b>	<b>9,743,006</b>
Reportable segment liabilities	193,982	2,433,281	580,554	7,746	144	-	3,215,707
<b>As at 30 June 2009</b>							
Reportable segment assets	3,320,644	4,080,303	1,470,005	56,095	117,478	-	9,044,525
Interest in associates	41,478	33,274	202	-	-	312,126	387,080
Interest in jointly controlled entities	-	99,163	-	-	-	-	99,163
<b>Total assets</b>	<b>3,362,122</b>	<b>4,212,740</b>	<b>1,470,207</b>	<b>56,095</b>	<b>117,478</b>	<b>312,126</b>	<b>9,530,768</b>
Reportable segment liabilities	40,561	2,611,039	687,327	27,956	131	-	3,367,014

**Other information****2010**

Interest income	23,331	3,562	8,295	1,264	-	-	36,452
Depreciation and amortisation	442	1,335	26,079	191	6,704	-	34,751
Additions to non-current segment assets	150	8,525	9,453	212	-	-	18,340

**2009**

Interest income	55,894	4,116	9,556	1,149	-	-	70,715
Depreciation and amortisation	1,177	609	24,007	201	5,653	-	31,647
Additions to non-current segment assets	875	2,866	47,311	87	-	-	51,139

**Major customers**

During the year 2010 and 2009, there is no major customer accounting for more than 10% of the total revenue of the Group.

## Notes to the Financial Statements

**14. SEGMENT REPORTING (cont'd)****(b) Reconciliations of reportable segment revenue, finance cost and interest income****Revenue**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Reportable segment revenue	<b>765,440</b>	1,149,852
Elimination of inter-segment revenue	<b>(4,335)</b>	(1,921)
Consolidated revenue (note 5)	<b>761,105</b>	1,147,931

**Finance cost**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Reportable finance cost	<b>(62,680)</b>	(66,421)
Elimination of inter-segment finance cost	<b>2,173</b>	35
Consolidated finance cost (note 7(a))	<b>(60,507)</b>	(66,386)

**Interest income**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Reportable interest income	<b>36,452</b>	70,715
Elimination of inter-segment interest income	<b>(2,173)</b>	(35)
Consolidated interest income (note 5)	<b>34,279</b>	70,680



## Notes to the Financial Statements

**14. SEGMENT REPORTING (cont'd)****(c) Geographical information**

The following table sets out information about the geographical location of the Group's revenue from external customers, profit/(loss) from operations, the Group's total assets and non-current assets other than financial instruments and deferred tax assets ("specified non-current assets"). The geographical information is classified by reference to the location of the income generating entities.

	Revenue from external customers		Profit/(loss) from operations	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
The People's Republic of China				
Hong Kong	<b>62,907</b>	80,808	<b>217,655</b>	(38,860)
Mainland China	<b>235,416</b>	41,303	<b>(Note) 52,987</b>	3,985
United Kingdom	<b>320,219</b>	338,329	<b>14,411</b>	12,265
Singapore	<b>66,296</b>	646,686	<b>(Note) 20,161</b>	64,334
Australasia and others	<b>76,267</b>	40,805	<b>(Note) 27,163</b>	3,836
	<b>761,105</b>	1,147,931	<b>332,377</b>	45,560
	Segment assets		Specified non-current assets	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
The People's Republic of China				
Hong Kong	<b>3,463,132</b>	3,381,350	<b>39,738</b>	35,666
Mainland China	<b>2,001,050</b>	1,832,656	<b>93,234</b>	783
United Kingdom	<b>1,472,988</b>	1,389,687	<b>1,374,561</b>	1,283,581
Singapore	<b>1,506,480</b>	1,709,139	<b>275,198</b>	265,932
Australasia and others	<b>1,299,356</b>	1,217,936	<b>815,391</b>	729,212
	<b>9,743,006</b>	9,530,768	<b>2,598,122</b>	2,315,174

Note: In accordance with applicable Hong Kong Financial Reporting Standards, at Group level we have recognised revenue arising from the pre-sale of properties upon completion of development projects instead of using the percentage of completion method adopted by GuocoLand Limited ("GLL") as permitted under the relevant Singapore Accounting Standards. Accordingly, operating profits of GLL for the year amounting to US\$23.2 million (2009: US\$4.2 million) and US\$52.9 million (2009: US\$16.7 million) in Singapore and Mainland China & other regions respectively have been deferred for recognition in the Group accounts. The Group has recognised operating profits of GLL which have been deferred in previous years amounting to US\$nil (2009: US\$38.4 million) and US\$18.7 million (2009: US\$2.3 million) in Singapore and Mainland China & other regions respectively for those development projects completed during the year. Up to 30 June 2010, accumulated operating profits of GLL totalling US\$28.3 million (2009: US\$4.9 million) in Singapore and US\$52.5 million (2009: US\$17.6 million) in Mainland China & other regions have been deferred for recognition, which will be recognised by the Group upon completion of the relevant development projects in subsequent years.

## Notes to the Financial Statements

## 15. FIXED ASSETS

	The Group					Total US\$'000
	Investment properties US\$'000	Interests in leasehold land and buildings US\$'000	Freehold land and buildings US\$'000	Furniture, fixtures and equipment US\$'000	Other property, plant and equipment US\$'000	
<b>Cost or valuation</b>						
At 1 July 2008	360,848	921,416	556,158	475,104	1,952,678	2,313,526
Additions through acquisition of subsidiaries	–	–	–	93	93	93
Additions	–	23,985	8,225	18,929	51,139	51,139
Disposals and written off	–	(35)	–	(1,518)	(1,553)	(1,553)
Deficit on revaluation	(59,705)	–	–	–	–	(59,705)
Exchange adjustments	(21,086)	(145,849)	(85,613)	(76,799)	(308,261)	(329,347)
At 30 June 2009	280,057	799,517	478,770	415,809	1,694,096	1,974,153
Representing:						
Cost	–	799,517	478,770	415,809	1,694,096	1,694,096
Valuation – 2009	280,057	–	–	–	–	280,057
	280,057	799,517	478,770	415,809	1,694,096	1,974,153
At 1 July 2009	280,057	799,517	478,770	415,809	1,694,096	1,974,153
Additions	737	730	344	17,266	18,340	19,077
Transfer from development properties	–	84,971	–	–	84,971	84,971
Transfer	38,941	–	(38,941)	–	(38,941)	–
Disposals and written off	–	(508)	(282)	(2,290)	(3,080)	(3,080)
Surplus on revaluation	4,555	–	–	–	–	4,555
Exchange adjustments	11,845	(69,351)	(34,762)	(38,309)	(142,422)	(130,577)
At 30 June 2010	336,135	815,359	405,129	392,476	1,612,964	1,949,099
Representing:						
Cost	–	815,359	405,129	392,476	1,612,964	1,612,964
Valuation – 2010	336,135	–	–	–	–	336,135
	336,135	815,359	405,129	392,476	1,612,964	1,949,099

## Notes to the Financial Statements

## 15. FIXED ASSETS (cont'd)

	The Group					Total US\$'000
	Investment properties US\$'000	Interests in leasehold land and buildings US\$'000	Freehold land and buildings US\$'000	Furniture, fixtures and equipment US\$'000	Other property, plant and equipment US\$'000	
<b>Accumulated amortisation and depreciation</b>						
At 1 July 2008	-	25,916	4,455	343,363	373,734	373,734
Additions through acquisition of subsidiaries	-	-	-	39	39	39
Charge for the year	-	4,758	3,220	18,016	25,994	25,994
Written back on disposals and written off	-	(35)	-	(1,243)	(1,278)	(1,278)
Exchange adjustments	-	(2,443)	(576)	(55,161)	(58,180)	(58,180)
At 30 June 2009	-	28,196	7,099	305,014	340,309	340,309
At 1 July 2009	-	28,196	7,099	305,014	340,309	340,309
Charge for the year	-	4,944	3,419	19,684	28,047	28,047
Written back on disposals and written off	-	-	(17)	(1,681)	(1,698)	(1,698)
Exchange adjustments	-	(1,492)	(674)	(29,473)	(31,639)	(31,639)
At 30 June 2010	-	31,648	9,827	293,544	335,019	335,019
<b>Net book value</b>						
At 30 June 2010	336,135	783,711	395,302	98,932	1,277,945	1,614,080
At 30 June 2009	280,057	771,321	471,671	110,795	1,353,787	1,633,844

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

	The Group	
	2010 US\$'000	2009 US\$'000
In Hong Kong:		
– Leasehold with between 10 to 50 years unexpired	<b>39,100</b>	35,030
Outside Hong Kong:		
– Leasehold with over 50 years unexpired	<b>1,025,799</b>	1,003,624
– Freehold	<b>450,249</b>	484,395
	<b>1,515,148</b>	1,523,049

## Notes to the Financial Statements

**15. FIXED ASSETS (cont'd)**

- (b) The Group's investment properties are located in Hong Kong, Singapore and Malaysia. The properties in Hong Kong were revalued on an open market basis as at 30 June 2010 by CB Richard Ellis Limited, an independent firm of professional valuers, who are members of the Hong Kong Institute of Surveyors. The properties in Singapore were revalued on an open market basis as at 30 June 2010 by CB Richard Ellis Limited, an independent firm of professional valuers, who are members of the Singapore Institute of Surveyors and Valuers. The properties in Malaysia were revalued on an open market basis as at 30 June 2010 by Burgess Rawson Sdn Bhd, an independent firm of professional valuers which are registered with the Board of Valuers, Appraisers and Estate Agents, Malaysia.
- (c) Certain of the Group's properties with a book value of US\$743.6 million (2009: US\$719.1 million) were pledged for bank loans and mortgage debenture stock.
- (d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one 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 US\$336.1 million (2009: US\$280.1 million).
- (e) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

**16. INTANGIBLE ASSETS**

	Casino licenses and brand name US\$'000	The Group Bass Strait oil and gas royalty US\$'000	Total US\$'000
<b>Cost</b>			
At 1 July 2008	60,130	182,671	242,801
Exchange adjustments	(9,962)	(28,778)	(38,740)
At 30 June 2009	50,168	153,893	204,061
At 1 July 2009	50,168	153,893	204,061
Additions	7,505	–	7,505
Exchange adjustments	(4,900)	7,495	2,595
At 30 June 2010	52,773	161,388	214,161
<b>Accumulated amortisation</b>			
At 1 July 2008	–	43,574	43,574
Charge for the year	–	5,653	5,653
Exchange adjustments	–	(6,350)	(6,350)
At 30 June 2009	–	42,877	42,877
At 1 July 2009	–	42,877	42,877
Charge for the year	–	6,704	6,704
Exchange adjustments	–	1,852	1,852
At 30 June 2010	–	51,433	51,433
<b>Net book value</b>			
At 30 June 2010	52,773	109,955	162,728
At 30 June 2009	50,168	111,016	161,184

## Notes to the Financial Statements

**16. INTANGIBLE ASSETS (cont'd)**

The Bass Strait oil and gas royalty represents the Group's interest in the Bass Strait Oil Trust. It is stated at cost less accumulated amortisation and impairment losses. The cost is amortised on a straight-line basis so that the amortisation charge for the year is included in administrative and other operating expenses in the consolidated income statement so as to write off the cost over its estimated useful lives of 25 years.

The casino licenses and brand name are with infinite useful lives and are stated at cost less provision for impairment losses.

**17. INTEREST IN SUBSIDIARIES**

	<b>The Company</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Unlisted shares	<b>24,624</b>	24,624
Amounts due from subsidiaries	<b>3,648,528</b>	1,485,807
	<b>3,673,152</b>	1,510,431
Amounts due to subsidiaries	<b>236,330</b>	428,610

As at 30 June 2010, amounts due from subsidiaries of US\$103,696,000 (2009: US\$3,570,000) bear interest at 1.94% (2009: 0.68%) per annum and are unsecured and have no fixed repayment term. The remaining outstanding balances are unsecured, interest free and have no fixed repayment term.

The amounts due to subsidiaries are unsecured, interest free and have no fixed repayment term.

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

<b>Name of Company</b>	<b>Issued and paid up ordinary share capital</b>	<b>Percentage held by the</b>		<b>Principal activities</b>
		<b>Company</b>	<b>Group</b>	
Asia Fountain Investment Company Limited	2 shares of HK\$10 each	–	100	Investment trading
BIL (Far East Holdings) Limited	635,855,324 shares of HK\$1 each	–	66	Investment holding
GuocoCapital Limited	120,000 shares of HK\$100 each	–	100	Stockbroking and securities trading
GuocoCommodities Limited	100,000 shares of HK\$100 each	–	100	Commodities broking
GuocoEquity Assets Limited	23,000,000 shares of HK\$1 each	100	100	Investment holding
GuoSon Lifestyle Assets Limited	1 share of HK\$1 each	–	65	Investment holding
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



## Notes to the Financial Statements

**17. 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	
Branmil Holdings Pte Ltd	2 shares of S\$1 each	–	65	Investment holding
Chelford Pte Ltd	2 shares of S\$1 each	–	65	Investment holding
Cheltenham Investments Pte Ltd	500,000 shares of S\$1 each	–	65	Investment holding
Da Zhong Investment Pte Ltd	1,000,000 shares of S\$1 each	–	65	Investment holding
Elliot Development Pte Ltd	16,000,000 shares of S\$1 each	–	65	Property development
Everian Holdings Pte Ltd	22,500,000 shares of S\$1 each	–	65	Property development
First Bedok Land Pte Ltd	78,400,000 shares of S\$1 each	–	65	Property development
First Capital Realty Pte Ltd	30,000,000 shares of S\$1 each	–	65	Property development
First Coventry Development Pte Ltd	13,000,000 shares of S\$1 each	–	65	Property development
First Garden Development Pte Ltd	70,000,000 shares of S\$1 each	–	59	Property development
First Meyer Development Pte Ltd	118,930,000 shares of S\$1 each	–	65	Property development
GLL IHT Pte Ltd	10,000,000 shares of S\$1.0083 each	–	65	Investment trading
GLL Land Pte Ltd	70,000,000 shares of S\$1 each	–	65	Property investment
GLL (Malaysia) Pte Ltd	58,000,000 shares of S\$1 each	–	65	Investment holding
Goodwood Residence Development Pte Ltd	90,300,000 shares of S\$1 each	–	65	Property development
Guoco Assets Pte Ltd	2 shares of S\$1 each	100	100	Investment holding
Guoco Investment Services Pte Ltd	50,000 shares of S\$1 each	–	100	Provision of investment advisory services
Guoco Property Management Pte Ltd	2 shares of S\$1 each	–	65	Property management
GuocoLand Limited	887,529,957 shares of S\$1.57 each	–	65	Investment holding
GuocoLand Assets Pte Ltd	20,000,000 shares of S\$1 each	100	100	Investment holding

## Notes to the Financial Statements

**17. 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	
GuocoLand Development Pte Ltd (formerly known as GuocoLand Retail Management Pte Ltd)	1,000,000 shares of S\$1 each	–	65	Provision of management services
GuocoLand Management Pte Ltd	500,000 shares of S\$1 each	–	65	Provision of management services
GuocoLand Property Management Pte Ltd	2 shares of S\$1 each	–	65	Property management, marketing and maintenance services
GuocoLand (Singapore) Pte Ltd	195,000,000 shares of S\$1 each	–	65	Investment holding
GuocoLand Vietnam (S) Pte Ltd	1 share of S\$1 each	–	65	Investment holding
GuocoLeisure Management Pte Ltd	2 shares of S\$1 each	–	66	Management company
Leedon Residence Development Pte Ltd (formerly known as Rivaldo Investments Pte Ltd)	158,000,000 shares of S\$1 each	–	65	Property development
Leonie Land Pte Ltd	6,310,000 shares of S\$1 each	–	65	Property development
MyHome Online Pte Ltd	10 shares of S\$1 each	–	65	Provider of internet commerce services
Sanctuary Land Pte Ltd	100,000 shares of S\$1 each	–	59	Property development
Sophia Residence Development Pte Ltd	91,600,000 shares of S\$1 each	–	65	Property development
Waterline Development Pte Ltd (formerly known as GLL Ventures Pte Ltd)	13,000,000 shares of S\$1 each	–	65	Property development
Winterhall Pte Ltd	14,400,000 shares of S\$1 each	–	65	Property development

## Notes to the Financial Statements

**17. INTEREST IN SUBSIDIARIES (cont'd)**

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
Ace Acres Sdn. Bhd.	3,000,000 shares of RM1 each	-	44	Property development
Astute Modernization Sdn. Bhd.	2,000,000 shares of RM1 each	-	44	Investment holding
Bedford Development Sdn. Bhd.	88,499,000 shares of RM1 each	-	44	Investment holding and property development
Bedford Industrial Development Sdn. Bhd.	8,870,000 shares of RM1 each	-	44	Property development
Bedford Land Sdn. Bhd.	90,000,000 shares of RM1 each	-	44	Investment holding
BLV Fashions Sdn. Bhd.	37,300,000 shares of RM1 each	-	44	Property investment
Damansara City Sdn. Bhd.	20,000,000 shares of RM1 each	-	44	Property development
Guobena Development Sdn. Bhd.	46,000,000 shares of RM0.8 each	-	44	Property investment
Guoco Assets Sdn. Bhd.	250,000 shares of RM1 each	100	100	Investment holding
GuocoLand (Malaysia) Berhad	700,458,518 shares of RM0.5 each	-	44	Investment holding and provision of management services
Guoman Hotel & Resort Holdings Sdn. Bhd.	277,000,000 shares of RM1 each	-	51	Investment holding
Guoman International Sdn. Bhd.	4,600,000 shares of RM1 each	-	51	Provision of technical and management services
GLM Property Management Co Sdn. Bhd.	50,000 shares of RM1 each	-	44	Provision of property management services
GLM Property Services Sdn. Bhd.	200,000 shares of RM1 each	-	44	Provision of property management services
GLM REIT Management Sdn. Bhd.	1,000,000 shares of RM1 each	-	44	Provision of management services
HL Bandar Sdn. Bhd.	30,000,000 shares of RM1 each	-	44	Property investment
HLP Equities Sdn. Bhd.	370,000 shares of RM1 each	-	44	Investment holding
Hong Leong Housing Sdn. Bhd.	20,000,000 shares of RM1 each	-	44	Provision of construction management services



## Notes to the Financial Statements

**17. INTEREST IN SUBSIDIARIES (cont'd)****(c) Details of the principal subsidiaries incorporated and operating in Malaysia are as follows: (cont'd)**

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
Hong Leong Real Estate Holdings Sdn. Bhd.	160,000,000 shares of RM1 each	–	44	Investment holding
JB Parade Sdn. Bhd.	40,000,000 shares of RM1 each	–	35	Investment holding and hotel operations
Kiapeng Development Sdn. Bhd.	160,000,000 shares of RM1 each	–	51	Property development and property investment
Pembinaan Sri Jati Sdn. Bhd.	20,000,000 shares of RM1 each	–	44	Investment holding and property development
PD Resort Sdn. Bhd.	100,000,000 shares of RM1 each	–	51	Property investment and development and hotel operations
Raikon Building Management Co Sdn. Bhd.	500,000 shares of RM1 each	–	44	Provision of property management services
Sabna Development Sdn. Bhd.	50,000,000 shares of RM1 each	–	44	Property development
Titan Debut Sdn. Bhd.	3,000,000 shares of RM1 each	–	44	Acquire, enhance and resale of properties

**(d) 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	
Asian Financial Common Wealth (PTC) Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	–	100	Provision of trustee service
Beijing Cheng Jian Dong Hua Real Estate Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	RMB50,000,000 (Note (ii))	–	59	Property development
Beijing Jiang Sheng Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	RMB250,000,000 (Note (ii))	–	65	Property development
Beijing Minghua Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	RMB200,000,000 (Note (ii))	–	49	Property development
BIL Asia Group Treasury Limited (Note (v))	British Virgin Islands	100 shares of NZD1 each	–	66	Financing company

## Notes to the Financial Statements

## 17. INTEREST IN SUBSIDIARIES (cont'd)

## (d) 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	
BIL Australia Pty Limited	Australia	1 share of AUD1 each	–	66	Investment holding
BIL Finance Limited	New Zealand	100 shares of NZD1 each	–	66	Investment holding
BIL NZ Treasury Limited	New Zealand	200,100 shares of NZD1,000 each	–	66	Investment holding
Capital Intelligence Limited (Note (iii))	Cayman Islands	1 share of US\$1 each	–	100	Investment trading
Clermont Leisure (UK) Limited	United Kingdom	55,000,000 shares of GBP1 each	–	66	Gaming
Fresco Resources Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	100	100	Investment holding
Great Insight Limited	Cayman Islands	1 share of US\$1 each	100	100	Investment holding
Guoco Assets (Philippines), Inc.	The Philippines	1,210,000 shares of P100 each	–	100	Investment holding
Guoco Securities (Bermuda) Limited	Bermuda	120,000 shares of US\$0.1 each	100	100	Investment holding
GuocoLand Binh Duong Property Co., Ltd	Vietnam	VND251,108,438,781 (Note (ii))	–	65	Property development
GuocoLand (China) Limited	Bermuda	20,000,000 shares of US\$1 each	–	65	Investment holding
GuocoLeisure Limited	Bermuda	1,368,063,633 shares of US\$0.2 each	–	66	Hotel and property management
GuocoLeisure Assets Limited	Cayman Islands	1 share of US\$1 each	100	100	Investment holding
Guoman Hotels Group Limited (Note (vi))	Bermuda	1 share of US\$1 each	–	66	Investment holding
Guoman Hotel Holdings Limited (formerly known as GuocoLeisure (UK) Limited)	United Kingdom	2 shares of GBP1 each	–	66	Investment holding
Guoman Hotels Limited	United Kingdom	310,545,212 shares of GBP0.26 each	–	66	Ownership and operation of hotels in UK
Guoman International Limited (Note (vi))	Jersey Channel Islands	90,000 shares of GBP1 each	–	51	Investment holding, provision of technical and management services

## Notes to the Financial Statements

**17. INTEREST IN SUBSIDIARIES (cont'd)****(d) 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	
GuoSon Lifestyle Retail (Beijing) Ltd (Note (i) & (vii))	The People's Republic of China	US\$11,600,000 (Note (ii))	-	65	Trading and consulting
GuoSon Investment Company Limited (Note (i) & (vii))	The People's Republic of China	US\$30,000,000 (Note (ii))	-	65	Investment holding
Hainan Jing Hao Asset Ltd (Note (i) & (vii))	The People's Republic of China	RMB10,000,000 (Note (ii))	-	65	Investment holding
Hong Way Holdings, Inc.	The Philippines	100,000 shares of P1 each	-	100	Investment holding
Ma Sing Investments Limited (Note (iv))	British Virgin Islands	407,174,860 shares of AUD1 each	-	66	Investment holding
Molokai Properties Limited	United States of America	100 shares of US\$2 each	-	66	Investment holding
Nanjing Mahui Property Development Co., Ltd. (Note (i) & (viii))	The People's Republic of China	RMB286,000,000 (Note (ii))	-	62	Property development
Nanjing Xinhaoning Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	US\$11,920,000 (Note (ii))	-	65	Property development
Nanjing Xinhaoxuan Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	US\$11,920,000 (Note (ii))	-	65	Property development
Oceanease Limited	Cayman Islands	1 share of US\$1 each	-	100	Investment trading
Shanghai Xinhaolong Property Development Co., Ltd (Note (i) & (vii))	The People's Republic of China	US\$126,000,000 (Note (ii))	-	65	Property development
Shanghai Xinhaozhong Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	US\$20,000,000 (Note (ii))	-	64	Property development
Supreme Goal Investments Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	100	100	Property investment
Tabua Investments Limited	Fiji	2 shares of FJD1 each	-	66	Investment holding
Tianjin Zhong Xin Ming Shi Real Estate Development Co., Ltd (Note (i) & (vii))	The People's Republic of China	RMB510,000,000 (Note (ii))	-	65	Property development
Wayforward Services Limited (Note (v))	British Virgin Islands	1 share of US\$1 each	-	66	Investment holding

## Notes to the Financial Statements

**17. INTEREST IN SUBSIDIARIES (cont'd)****(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (cont'd)**

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 are operating in Australia.
- (v) These companies are operating in United Kingdom.
- (vi) These companies are operating in Malaysia.
- (vii) These companies are foreign capital enterprise.
- (viii) These companies are sino-foreign equity joint venture enterprise.

**18. INTEREST IN ASSOCIATES**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Share of net assets		
Listed shares, overseas	<b>483,973</b>	405,188
Unlisted	<b>853</b>	78
Goodwill	<b>12,092</b>	12,092
Intangible assets	<b>213,163</b>	–
	<b>710,081</b>	417,358
Amounts due from associates	<b>7,245</b>	7,184
	<b>717,326</b>	424,542
Less: Impairment loss	<b>(37,462)</b>	(37,462)
	<b>679,864</b>	387,080

The market value of the listed investments at 30 June 2010 was US\$951.4 million (2009: US\$422.6 million).

The amounts due from associates are unsecured, interest free and have no fixed repayment terms.





## Notes to the Financial Statements

**18. INTEREST IN ASSOCIATES (cont'd)**

Details of the principal associates are as follows:

<b>Name of Company</b>	<b>Country of incorporation and operation</b>	<b>Issued and paid up ordinary share capital</b>	<b>Percentage held by the Group</b>	<b>Principal activities</b>
Crawford Pte Ltd	Singapore	1,000,000 shares of S\$1 each	26	Property development
Hong Leong Financial Group Berhad	Malaysia	1,052,767,789 shares of RM1 each	25	Financial services
Pepsi-Cola Products Philippines, Inc.	The Philippines	3,693,772,279 shares of P0.15 each	30	Manufacturing, sales and distribution of beverages
Rank Group Plc (Notes)	United Kingdom	390,529,314 shares of GBp13 <sup>9</sup> / <sub>16</sub> each	29	Gaming
Razgrad Pte Ltd	Singapore	1,000,000 shares of S\$1 each	26	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	26	Investment holding

Notes:

- (a) With effect from 22 April 2010, the Group's investment in The Rank Group Plc ("Rank") has been accounted for as an associate using the equity method as on that day the Group has appointed two representatives to the board of directors.

Previously, the investment was classified as available-for-sale financial asset. It was derecognised upon the date of assuming significant influence and the cumulative fair value reserve of US\$36.1 million (included in note 6(b)) was transferred to profit or loss.

- (b) The intangible assets in Rank, comprising casino licences and brand names, are with infinite useful lives and therefore not subject to amortisation. They are stated as cost less provision for impairment losses.

## Notes to the Financial Statements

**18. INTEREST IN ASSOCIATES (cont'd)**

The summarised financial information in respect of the Group's associates is set out below:

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Total assets	<b>30,251,702</b>	24,960,653
Total liabilities	<b>(27,556,132)</b>	(22,758,992)
	<b>2,695,570</b>	2,201,661
Non-controlling interests	<b>(700,843)</b>	(641,339)
Net assets	<b>1,994,727</b>	1,560,322
Group's share of associates' net assets	<b>484,826</b>	405,266
Revenue	<b>1,643,412</b>	1,464,324
Profit for the year	<b>343,228</b>	218,470
Group's share of associates' profits for the year	<b>81,050</b>	55,430

**19. INTEREST IN JOINTLY CONTROLLED ENTITIES**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Share of net assets – unlisted	<b>102,394</b>	95,986
Amounts due from jointly controlled entities	<b>5,011</b>	3,177
	<b>107,405</b>	99,163

The amounts due from jointly controlled entities are unsecured, interest free and have no fixed repayment terms.



## Notes to the Financial Statements

**19. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd)**

Details of principal jointly controlled entities are as follows:

<b>Name of Company</b>	<b>Country of incorporation and operation</b>	<b>Issued and paid up ordinary share capital</b>	<b>Percentage held by the Group</b>	<b>Principal activities</b>
Bedford Damansara Heights Development Sdn. Bhd.	Malaysia	84,000,000 shares of RM1 each	22	Investment holding
Continental Estates Sdn. Bhd.	Malaysia	50,600,000 shares of RM1 each	22	Property development and operation of an oil palm estate
Kota Selatan Indah Sdn. Bhd.	Malaysia	30,000,000 shares of RM1 each	22	Property development
Promakmur Development Sdn. Bhd.	Malaysia	90,000,000 shares of RM1 each	22	Property development
Vintage Heights Sdn. Bhd.	Malaysia	140,000,000 shares of RM1 each	21	Property development and operation of an oil palm estate

Summary financial information on jointly controlled entities – Group's effective interest:

	<b>The Group</b>	
	<b>2010 US\$'000</b>	2009 US\$'000
Non-current assets	<b>123,389</b>	116,980
Current assets	<b>27,078</b>	25,145
Non-current liabilities	<b>(26,145)</b>	(31,029)
Current liabilities	<b>(21,928)</b>	(15,110)
<b>Net assets</b>	<b>102,394</b>	95,986
Income	<b>10,763</b>	9,907
Expenses	<b>(8,765)</b>	(10,752)
<b>Profits/(losses) for the year</b>	<b>1,998</b>	(845)

**20. ACQUISITIONS OF NON-CONTROLLING INTERESTS**

During the year, the Group acquired an additional 9.4 percent interest in GuocoLeisure Limited ("GL") for US\$56 million in cash, increasing its ownership from 56.1 to 65.5 percent. The Group recognised a decrease in non-controlling interest of US\$95.8 million and an increase in retained earnings of US\$39.8 million.

## Notes to the Financial Statements

**20. ACQUISITIONS OF NON-CONTROLLING INTERESTS (cont'd)**

The following summarises the effect of changes in the Group's ownership interest in GL:

	US\$'000
Group's ownership interest at beginning of year	610,823
Effect of increase in Group's ownership interest	95,776
Share of comprehensive income	(21,057)
Group's ownership interest at end of year	685,542

**21. HELD-TO-MATURITY FINANCIAL ASSETS**

	<b>The Company</b>	
	<b>2010</b> US\$'000	2009 US\$'000
Unlisted debt securities	<b>173,026</b>	159,134

The unlisted debt securities represent fixed rate notes issued by a wholly-owned subsidiary of the Company, which bear interest at 8.2% per annum and are unsecured and are with repayment term of 3 years.

**22. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b> US\$'000	2009 US\$'000	<b>2010</b> US\$'000	2009 US\$'000
Equity securities				
Listed				
– In Hong Kong	<b>720,393</b>	286,504	–	–
– Outside Hong Kong	<b>2,438</b>	119,217	–	–
Unlisted	<b>8,547</b>	8,089	–	–
	<b>731,378</b>	413,810	–	–
Club and other debentures	<b>450</b>	451	<b>203</b>	203
Investment in partnership	<b>34,525</b>	20,095	–	–
	<b>766,353</b>	434,356	<b>203</b>	203
Market value of listed equity securities	<b>722,831</b>	405,721	–	–

## Notes to the Financial Statements

**23. GOODWILL**

	<b>The Group</b> US\$'000
Cost:	
At 1 July 2008	34,168
Exchange adjustments	(265)
At 30 June 2009	33,903
At 1 July 2009	33,903
Exchange adjustments	142
At 30 June 2010	34,045

In accordance with the Group's accounting policy, the carrying value of goodwill was tested for impairment as at 30 June 2010 and 30 June 2009. The results of the tests indicated no impairment charge was necessary.

**24. DEVELOPMENT PROPERTIES**

	<b>The Group</b>	
	<b>2010</b> US\$'000	2009 US\$'000
Cost as at 30 June	<b>3,220,863</b>	3,131,873
Less: Impairment loss	<b>(19,362)</b>	(17,806)
Progress instalments received and receivable	<b>(453,287)</b>	(153,242)
	<b>2,748,214</b>	2,960,825

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

Certain of the Group's development properties with book value of US\$1,543.7 million (2009: US\$1,647.2 million) were pledged for bank loans and mortgage debenture stock.

**25. PROPERTIES HELD FOR SALE**

	<b>The Group</b>	
	<b>2010</b> US\$'000	2009 US\$'000
As at 1 July	<b>262,567</b>	26,903
Additions	<b>45,986</b>	8,638
Transfer from development properties	<b>6,497</b>	264,724
Disposals	<b>(152,691)</b>	(34,313)
	<b>162,359</b>	265,952
Add: Write-back/(provision) for foreseeable loss	<b>3,028</b>	(261)
Exchange adjustments	<b>18,226</b>	(3,124)
As at 30 June	<b>183,613</b>	262,567

## Notes to the Financial Statements

**26. TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Trade debtors	<b>202,355</b>	153,657	–	–
Deposits and prepayments	<b>80,678</b>	95,384	<b>533</b>	110
Derivative financial instruments, at fair value	<b>8,123</b>	799	–	–
Interest receivables	<b>1,946</b>	825	<b>1,304</b>	1,747
	<b>293,102</b>	250,665	<b>1,837</b>	1,857

Included in the Group's trade and other receivables are amounts of US\$102.6 million (2009: US\$8.1 million) which are expected to be recovered after more than one year.

**(a) Ageing analysis**

Included in trade and other receivables are trade debtors (net of allowance for bad and doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2010 US\$'000	2009 US\$'000
Current	<b>88,707</b>	97,326
1 to 3 months	<b>5,815</b>	33,122
More than 3 months	<b>107,833</b>	23,209
	<b>202,355</b>	153,657

**(b) Impairment of trade debtors**

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The balance and the movement of the allowance for bad and doubtful debts as at 30 June 2010 and 2009 are not significant.

**(c) Trade debtors that are not impaired**

The ageing analysis of trade debtors that is neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010 US\$'000	2009 US\$'000
Neither past due nor impaired	<b>68,821</b>	124,847
Less than 1 month past due	<b>7,977</b>	7,144
1 to 3 months past due	<b>4,217</b>	3,891
More than 3 months past due	<b>106,351</b>	9,550
	<b>118,545</b>	20,585
	<b>187,366</b>	145,432

## Notes to the Financial Statements

**26. TRADE AND OTHER RECEIVABLES (cont'd)****(c) Trade debtors that are not impaired (cont'd)**

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as these are considered fully recoverable. The Group does not hold any collateral over these balances.

**27. TRADING FINANCIAL ASSETS**

	<b>The Group</b>	
	<b>2010</b> US\$'000	2009 US\$'000
Debt securities		
Listed – Outside Hong Kong (at market value)	<b>39,216</b>	13,016
Unlisted	<b>36,889</b>	1,957
	<b>76,105</b>	14,973
Equity securities		
Listed (at market value)		
– In Hong Kong	<b>177,175</b>	2,171
– Outside Hong Kong	<b>2,062,001</b>	327,912
	<b>2,239,176</b>	330,083
Unit trusts		
Unlisted	<b>14,452</b>	14,808
	<b>2,329,733</b>	359,864

**28. CASH AND SHORT TERM FUNDS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b> US\$'000	2009 US\$'000	<b>2010</b> US\$'000	2009 US\$'000
Deposits with banks	<b>592,717</b>	2,732,920	<b>234,975</b>	2,443,282
Cash at bank and in hand	<b>231,003</b>	211,322	<b>9,209</b>	390
Cash and cash equivalents in the statement of financial position and consolidated statement of cash flows	<b>823,720</b>	2,944,242	<b>244,184</b>	2,443,672

## Notes to the Financial Statements

**29. TRADE AND OTHER PAYABLES**

	The Group		The Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Trade creditors	<b>80,270</b>	89,392	–	–
Other payables and accrued operating expenses	<b>621,732</b>	603,842	<b>605</b>	541
Derivative financial instruments, at fair value	<b>23,780</b>	5,407	–	–
Amounts due to fellow subsidiaries	<b>11,538</b>	3,846	<b>2,027</b>	–
Amounts due to associates	<b>36</b>	32	–	–
Amounts due to jointly controlled entities	<b>298</b>	291	–	–
	<b>737,654</b>	702,810	<b>2,632</b>	541

Included in trade and other payables of the Group and the Company are amounts of US\$40.2 million (2009: US\$39.5 million) and US\$0.3 million (2009: US\$0.3 million) respectively which are expected to be settled after more than one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	The Group	
	2010 US\$'000	2009 US\$'000
Due within 1 month or on demand	<b>59,222</b>	68,724
Due after 1 month but within 3 months	<b>4,825</b>	14,729
Due after 3 months	<b>16,223</b>	5,939
	<b>80,270</b>	89,392

The amounts due to fellow subsidiaries, associates and jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

**30. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS**

	The Group	
	2010 US\$'000	2009 US\$'000
Bank loans		
– Secured	<b>145,519</b>	41,971
– Unsecured	<b>753,308</b>	407,947
	<b>898,827</b>	449,918
Unsecured medium term notes repayable within 1 year	<b>53,642</b>	55,281
Convertible bonds (note 32)	–	235,191
	<b>952,469</b>	740,390



## Notes to the Financial Statements

**31. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS**

	The Group	
	2010 US\$'000	2009 US\$'000
Bank loans		
– Secured	<b>726,693</b>	938,229
– Unsecured	<b>37,924</b>	154,789
	<b>764,617</b>	1,093,018
Unsecured medium term notes	–	24,185
Secured mortgage debenture stock	<b>373,033</b>	426,569
Convertible bonds (note 32)	<b>257,271</b>	233,855
	<b>1,394,921</b>	1,777,627

Note:

The bank loans and mortgage debenture stock are secured by the following:

- legal mortgages on investment properties with an aggregate book value of US\$52.6 million (2009: US\$10.5 million) (note 15);
- legal mortgages on development properties with an aggregate book value of US\$1,543.7 million (2009: US\$1,647.2 million) (note 24); and
- legal mortgages on property, plant and equipment with an aggregate book value of US\$691.0 million (2009: US\$708.6 million) (note 15).

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

	2010					2009				
	Bank loans	Mortgage debenture stock	Convertible bonds	Other borrowings	Total	Bank loans	Mortgage debenture stock	Convertible bonds	Other borrowings	Total
Within 1 year or on demand	898,827	–	–	53,642	952,469	449,918	–	235,191	55,281	740,390
After 1 year but within 2 years	79,737	–	257,271	–	337,008	436,628	–	–	24,185	460,813
After 2 years but within 5 years	683,490	283,909	–	–	967,399	656,390	–	233,855	–	890,245
After 5 years	1,390	89,124	–	–	90,514	–	426,569	–	–	426,569
	<b>764,617</b>	<b>373,033</b>	<b>257,271</b>	<b>–</b>	<b>1,394,921</b>	1,093,018	426,569	233,855	24,185	1,777,627
	<b>1,663,444</b>	<b>373,033</b>	<b>257,271</b>	<b>53,642</b>	<b>2,347,390</b>	1,542,936	426,569	469,046	79,466	2,518,017

**32. CONVERTIBLE BONDS**

	The Group	
	2010 US\$'000	2009 US\$'000
Current	–	235,191
Non-current	<b>257,271</b>	233,855
	<b>257,271</b>	469,046

## Notes to the Financial Statements

**32. CONVERTIBLE BONDS (cont'd)**

On 7 May 2007, GuocoLand Limited (“GLL”), issued S\$690 million (US\$450 million) in principal amount of convertible bonds (the “Bonds”) comprising S\$345 million (US\$225 million) in principal amount of unsecured Tranche 1 Convertible Bonds (“Tranche 1 Bonds”) and S\$345 million (US\$225 million) in principal amount of unsecured Tranche 2 Convertible Bonds (“Tranche 2 Bonds”).

The Bonds are convertible by the holders thereof (the “Bondholders”) into new ordinary shares in the capital of GLL (“Shares”) at any time on or after 6 July 2007 and up to 27 April 2012 or if such Bonds shall have been called for redemption by GLL before 27 April 2012, then up to a date no later than seven business days prior to the date fixed for redemption thereof. The conversion price of the Bonds is S\$5.507 per Share with effect from 30 July 2007 following the issue of 221,882,489 new Shares on that day pursuant to a renounceable rights issue undertaken by GLL.

At any time on or after 7 May 2009 and prior to the date falling 7 business days prior to 7 May 2012 (the “Maturity Date” of the Bonds), the Bonds may be redeemed in whole at the option of GLL if the volume weighted average price of the Shares for each of 10 consecutive trading days was at least 120% of the principal amount of the Bonds plus interest equal to the applicable early redemption interest amount divided by the conversion ratio.

Unless previously redeemed, converted, or purchased and cancelled, the Tranche 1 Bonds shall be redeemed on the Maturity Date at its principal amount plus interest of 0.6% p.a. on a semi-annual basis of its principal amount and the Tranche 2 Bonds shall be redeemed on the Maturity Date at its principal amount plus interest of 1.9% p.a. on a semi-annual basis of its principal amount.

During the year, GLL had at the option of the bondholders, redeemed and cancelled S\$337.8 million (US\$241.6 million) of the Tranche 1 Bonds, at their principal amount plus interest equal to the applicable early redemption interest amount. Following the redemption and cancellation, the remaining aggregate principal amount of Tranche 1 Bonds is S\$7.2 million (US\$5.1 million).

**33. PROVISIONS AND OTHER LIABILITIES**

	The Group			
	Restructuring costs US\$'000	Pensions US\$'000	Others US\$'000	Total US\$'000
As at 1 July 2009	996	10,750	626	12,372
Charge/(write-back) to income statement during the year	(996)	1,322	1,520	1,846
Amounts settled or utilised during the year	–	(5,063)	(771)	(5,834)
Exchange adjustments	–	(151)	(119)	(270)
As at 30 June 2010	–	6,858	1,256	8,114
Provisions and other liabilities as at 30 June 2010 are disclosed as:				
Current liabilities	–	–	1,256	1,256
Non-current liabilities	–	6,858	–	6,858
	–	6,858	1,256	8,114

## Notes to the Financial Statements

**34. DEFERRED TAXATION****(a) Deferred tax assets and liabilities recognised:****The Group**

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

Deferred tax arising from:	Depreciation allowance in excess of related depreciation US\$'000	Revaluation of properties US\$'000	Timing difference on development properties US\$'000	Revaluation of financial liabilities US\$'000	Provisions US\$'000	Tax losses US\$'000	Others US\$'000	Total US\$'000
As at 1 July 2009	526	102,323	12,398	(14,403)	(1,391)	(6,297)	9,540	102,696
Charged/(credited) to consolidated income statement	12	(21,818)	4,564	2,260	1,083	(1,617)	189	(15,327)
Charged to other comprehensive income	-	-	-	-	-	-	699	699
Exchange adjustments	538	80,505	16,962	(12,143)	(308)	(7,914)	10,428	88,068
	52	(8,585)	421	1,296	83	98	(42)	(6,677)
As at 30 June 2010	590	71,920	17,383	(10,847)	(225)	(7,816)	10,386	81,391
As at 1 July 2008	545	164,024	3,740	(20,118)	(3,172)	(1,230)	9,699	153,488
Charged/(credited) to consolidated income statement	26	(33,658)	8,095	2,297	1,210	(5,009)	(36)	(27,075)
Charged to other comprehensive income	-	-	-	-	-	-	344	344
Exchange adjustments	571	130,366	11,835	(17,821)	(1,962)	(6,239)	10,007	126,757
	(45)	(28,043)	563	3,418	571	(58)	(467)	(24,061)
As at 30 June 2009	526	102,323	12,398	(14,403)	(1,391)	(6,297)	9,540	102,696
						<b>2010 US\$'000</b>	2009 US\$'000	
Net deferred tax assets recognised on the statement of financial position						<b>(149)</b>	(3,075)	
Net deferred tax liabilities recognised on the statement of financial position						<b>81,540</b>	105,771	
						<b>81,391</b>	102,696	

## Notes to the Financial Statements

**34. DEFERRED TAXATION (cont'd)****(b) Deferred tax assets unrecognised:**

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

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Deductible temporary differences	<b>3,581</b>	4,839
Tax losses	<b>665,925</b>	681,129
	<b>669,506</b>	685,968

The Group has not recognised deferred tax assets in respect of tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The deductible temporary differences and tax losses do not expire under current tax legislation.

**(c) Deferred tax liabilities not recognised**

As at 30 June 2010, temporary differences relating to the undistributed profits of subsidiaries amounted to US\$137.1 million (2009: US\$75.0 million). Deferred tax liabilities of US\$13.7 million (2009: US\$7.5 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

**35. SHARE CAPITAL AND RESERVES****(a) Movements in components of equity**

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	<b>Share capital US\$'000</b>	<b>Share premium US\$'000</b>	<b>Retained profits US\$'000</b>	<b>Total equity US\$'000</b>
<b>The Company</b>				
At 1 July 2009	164,526	10,493	3,511,127	3,686,146
Final dividend paid in respect of prior year	–	–	(63,687)	(63,687)
Interim dividend paid in respect of current year	–	–	(33,924)	(33,924)
Total comprehensive income for the year				
– Profit for the year	–	–	264,905	264,905
At 30 June 2010	164,526	10,493	3,678,421	3,853,440
At 1 July 2008	164,526	10,493	3,647,880	3,822,899
Final dividend paid in respect of prior year	–	–	(127,300)	(127,300)
Interim dividend paid in respect of current year	–	–	(21,221)	(21,221)
Total comprehensive income for the year				
– Profit for the year	–	–	11,768	11,768
At 30 June 2009	164,526	10,493	3,511,127	3,686,146

## Notes to the Financial Statements

**35. SHARE CAPITAL AND RESERVES (cont'd)****(b) Nature and purpose of reserves**

- (i) The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.
- (ii) The capital and other reserves have been set up and will be dealt with in accordance with the Group's accounting policies. The equity component of the issued convertible bonds, which represents the implied fair value of the conversion rights, is included in the capital reserve.
- (iii) 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.
- (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 38).
- (v) The share option reserve comprises the cumulative value of employee services received for the issue of share options.
- (vi) The exchange translation reserve comprises:
  - (a) the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates whose functional currencies are different from the functional currency of the Company.
  - (b) the exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries and associates.
- (vii) Fair value reserve comprises unrealised gain or loss arising from changes in fair value of available-for-sale financial assets.
- (viii) Revaluation reserve comprises increase in fair value of property, plant and equipment and development properties from acquired subsidiaries.
- (ix) Distributable reserves of the Company as at 30 June 2010 amounted to US\$3,678,421,000 (2009: US\$3,511,127,000).

## Notes to the Financial Statements

**35. SHARE CAPITAL AND RESERVES (cont'd)****(c) Share capital**

	<b>The Group and The Company</b>			
	<b>2010</b>		2009	
	<b>No. of shares '000</b>	<b>US\$'000</b>	No. of shares '000	US\$'000
Authorised:				
Ordinary shares of US\$0.50 each	<b>1,000,000</b>	<b>500,000</b>	1,000,000	500,000
Issued and fully paid:				
As at 1 July and 30 June	<b>329,051</b>	<b>164,526</b>	329,051	164,526

Note: As at 30 June 2010, 4,026,862 ordinary shares (2009: 4,026,862 ordinary shares) were acquired by the Group to reserve for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees.

**36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS****(a) Acquisition of subsidiaries**

	<b>The Group</b>	
	<b>2010 US\$'000</b>	2009 US\$'000
Net assets acquired:		
Property, plant and equipment	-	54
Trade and other receivables	-	99
Cash and short term funds	-	469
Trade and other payables	-	(97)
Total consideration	-	525
Satisfied by:		
Cash consideration	-	525

## Notes to the Financial Statements

**36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)****(b) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Cash consideration	-	525
Cash at bank and in hand acquired	-	(469)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	-	56

**(c) Disposal of subsidiaries**

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Net assets disposed:		
Available-for-sale financial assets	-	1,231
Trade and other receivables	-	120
Cash and short term funds	-	175
Trade and other payables	-	(76)
Profit on disposal of subsidiaries	-	1,450
	-	-
	-	1,450
Satisfied by:		
Cash received	-	1,450

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

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Cash consideration received	-	1,450
Cash at bank and in hand disposed	-	(175)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	-	1,275

## Notes to the Financial Statements

**37. EMPLOYEE RETIREMENT BENEFITS****(a) Defined benefit retirement plans**

The Group has several defined benefit pension schemes, all of which are closed to new members and managed by independent administrators. Actuarial valuations are carried out at least once every three years and informal valuations are carried out in the intervening years.

- (i) The amounts recognised in the statement of financial position are as follows:

	<b>The Group</b>	
	<b>2010</b> US\$'000	2009 US\$'000
Present value of wholly or partly funded obligations	<b>(106,339)</b>	(98,813)
Fair value of plan assets	<b>87,370</b>	79,629
Net unrecognised actuarial losses	<b>12,111</b>	8,434
	<b>(6,858)</b>	(10,750)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

- (ii) Changes in the present value of the defined benefit obligation:

	<b>The Group</b>	
	<b>2010</b> US\$'000	2009 US\$'000
At 1 July	<b>98,813</b>	118,141
Service cost	<b>339</b>	449
Interest cost	<b>5,554</b>	5,977
Actuarial loss/(gain)	<b>13,785</b>	(2,965)
Benefits paid	<b>(3,538)</b>	(3,367)
Exchange differences	<b>(8,614)</b>	(19,422)
At 30 June	<b>106,339</b>	98,813

- (iii) Changes in the fair value of plan assets:

	<b>The Group</b>	
	<b>2010</b> US\$'000	2009 US\$'000
At 1 July	<b>79,629</b>	97,181
Expected return on plan assets	<b>5,032</b>	6,074
Contributions from the Group	<b>5,102</b>	5,609
Benefits paid	<b>(3,538)</b>	(3,432)
Actuarial gain/(loss)	<b>8,830</b>	(9,719)
Exchange differences	<b>(7,685)</b>	(16,084)
At 30 June	<b>87,370</b>	79,629



## Notes to the Financial Statements

**37. EMPLOYEE RETIREMENT BENEFITS (cont'd)****(a) Defined benefit retirement plans (cont'd)**

- (iv) Movements in the other liabilities recognised in the statement of financial position are as follows:

	<b>The Group</b>	
	<b>2010</b>	2009
	<b>US\$'000</b>	US\$'000
At 1 July	<b>(10,750)</b>	(18,583)
Contributions paid to plans	<b>5,063</b>	5,544
Expense recognised in profit or loss	<b>(1,322)</b>	(612)
Exchange difference	<b>151</b>	2,901
At 30 June	<b>(6,858)</b>	(10,750)

- (v) Expense recognised in consolidated income statement is as follows:

	<b>The Group</b>	
	<b>2010</b>	2009
	<b>US\$'000</b>	US\$'000
Current service cost	<b>(357)</b>	(433)
Interest cost	<b>(5,832)</b>	(5,755)
Actuarial expected return on plan assets	<b>5,293</b>	5,858
Net actuarial loss recognised	<b>(426)</b>	(282)
	<b>(1,322)</b>	(612)

- (vi) The principal actuarial assumptions used as at 30 June 2010 (expressed as weighted averages) are as follows:

	<b>The Group</b>	
	<b>2010</b>	2009
Discount rate	<b>4.20%</b>	5.10%
Expected returns on plan assets – equities	<b>8.00%</b>	8.25%
Expected returns on plan assets – bonds	<b>5.10%</b>	5.70%
Expected rates of salary increase	<b>3.90%</b>	3.90%

**(b) Defined contribution retirement plans**

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.

## Notes to the Financial Statements

**37. EMPLOYEE RETIREMENT BENEFITS (cont'd)****(b) Defined contribution retirement plans (cont'd)**

Subsidiaries 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 5 percent to 14.5 percent of employees' monthly salaries and is expensed as incurred.

During the year, the Group's cost incurred on employees pension schemes were US\$3,103,000 (2009: US\$2,402,000) and forfeited contributions in the amount of US\$29,000 (2009: US\$15,000) were used to reduce current year's contributions.

**38. EQUITY SETTLED SHARE-BASED TRANSACTIONS****(a) The Company**

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.

On 16 December 2002, the Company established 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.

## Notes to the Financial Statements

**38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)****(a) The Company (cont'd)**

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

No share options were outstanding during the year and no option has been granted to any eligible participants pursuant to the Share Option Scheme and Share Option Plan during the year.

**(b) GuocoLand Limited (“GLL”)**

The GuocoLand Limited Executives' Share Option Scheme (the “Scheme”) was approved by the shareholders of GLL at an extraordinary general meeting held on 31 December 1998. The Scheme was further approved by the Company at an extraordinary general meeting held on 1 February 1999.

In October 2004, shareholders of GLL and the Company approved the proposed amendments to the rules of the Scheme (the “Rules”) to inter alia alter the structure of the Scheme to allow the grant of options to be satisfied over newly issued ordinary shares of GLL (the “Shares”) or the transfer of existing Shares, or a combination of both new Shares and existing Shares, as well as to align the Rules with the requirements under Chapter 17 of The Stock Exchange of Hong Kong Limited Listing Rules.

As this GLL's Scheme was due to expire on 30 December 2008, a new GuocoLand Limited Executives' Share Option Scheme 2008 (the “GLL ESOS 2008”) was adopted in place of the GLL Scheme on 21 November 2008. The termination of the GLL Scheme however does not affect outstanding options which had been granted thereunder.

The GLL ESOS 2008 was approved by the shareholders of GLL on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the “Effective Date”). The GLL ESOS 2008 was adopted by GLL in place of the GLL Scheme to provide for continuation of an executives' share option scheme on terms substantially similar to the GLL Scheme. Under the GLL ESOS 2008, options may be granted over newly issued and/or existing shares of GLL to eligible participants including employees and executive directors of GLL and its subsidiaries who are not controlling shareholders of GLL. The GLL ESOS 2008 shall continue to be in force at the discretion of the GLL ESOS Committee subject to a maximum period of 10 years commencing on the Effective Date till 20 November 2018.

## Notes to the Financial Statements

**38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)****(b) GuocoLand Limited ("GLL") (cont'd)**

- (i) *The terms and conditions of the grants that existed during the year (including the number of adjusted option pursuant to GLL's rights issue in July 2007), whereby all options are settled by physical delivery of shares:*

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors of GLL:			
– on 1 November 2004	3,699,150	} 3,699,150 options exercised in FY07/08 3,699,150 options exercised in FY09/10	3.75 years
– on 1 November 2004	3,699,150		4.75 years
Options granted to employees of GLL:			
– on 1 November 2004	1,707,300	} 1,707,300 options exercised in FY07/08 1,138,200 options exercised in FY08/09 1,707,300 options exercised in FY08/09 2,276,400 options exercised in FY09/10	} 3.75 years to 4.75 years
– on 1 November 2004	1,138,200		
– on 1 November 2004	1,707,300		
– on 1 November 2004	2,276,400		
– on 30 May 2005	2,000,000	} Exercised in FY06/07 Exercised in FY09/10 Exercised in FY09/10	2 years
– on 30 May 2005	2,276,400		3.17 years
– on 30 May 2005	2,276,400		4.17 years
Options granted to directors:			
– on 19 January 2007	11,382,000	} Certain financial and performance targets to be met during the performance periods for FY2006 to 2008 and FY2009 to 2011	} 2 to 7 years
Options granted to employees:			
– on 19 January 2007	12,804,750	} 569,100 options lapsed in FY07/08 2,276,400 options lapsed in FY08/09	
– on 19 January 2007	569,100		
– on 19 January 2007	2,276,400		
Options granted to employees:			
– on 28 September 2009	10,250,000	} Certain financial and performance targets to be met during the performance periods for FY2010 to 2012 2,000,000 options lapsed in FY09/10	} 3 to 5 years
– on 28 September 2009	2,000,000		
Total share options	<u>60,062,550</u>		

## Notes to the Financial Statements

**38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)****(b) GuocoLand Limited (“GLL”) (cont'd)**

(ii) *The number and weighted average exercise prices of share options are as follows:*

	2010		2009	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	<b>S\$1.95</b>	<b>34,715,100</b>	S\$1.91	39,837,000
Lapsed during the year	<b>S\$2.29</b>	<b>(2,000,000)</b>	S\$2.33	(2,276,400)
Exercised during the year	<b>S\$1.09</b>	<b>(10,528,350)</b>	S\$1.05	(2,845,500)
Granted during the year	<b>S\$2.29</b>	<b>12,250,000</b>	–	–
Outstanding at the end of the year	<b>S\$2.32</b>	<b>34,436,750</b>	S\$1.95	34,715,100
Exercisable at the end of the year	<b>N/A</b>	<b>–</b>	S\$1.09	10,528,350
			<b>2010</b>	2009
The weighted average share price at the date of exercise for share options exercised during the year			<b>S\$1.99</b>	S\$2.06
The weighted average exercise price per share of the outstanding options			<b>S\$2.32</b>	S\$1.95
The weighted average remaining contractual life of the options			<b>1.7 years</b>	1.2 years

## Notes to the Financial Statements

**38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)****(b) GuocoLand Limited (“GLL”) (cont'd)***(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility is based on 1-year historical volatility.

<b>Date of grant of options</b>	<b>1 Nov 2004</b>	<b>30 May 2005</b>	<b>19 Jan 2007</b>	<b>28 Sep 2009</b>
Fair value at measurement date	S\$0.10 to S\$0.11	S\$0.09 to S\$0.10	S\$0.47 to S\$0.73	S\$0.69 to S\$0.72
Share price at grant date	S\$1.22	S\$1.34	S\$2.78	S\$2.28
Exercise price	S\$1.19	S\$1.32	S\$2.65	S\$2.29
Adjusted exercise price	S\$1.05	S\$1.16	S\$2.33	N/A
Expected volatility	21.4%	18.8%	29.5%	42.2% to 49.8%
Expected option life	3.2 years to 4.2 years	1.5 years to 3.6 years	1.8 years to 6.8 years	3.2 years to 5.2 years
Expected dividend yield	6.6%	6.0%	2.9%	2.2%
Risk-free interest rate	1.8% to 2.2%	2.1% to 2.3%	3.0% to 3.1%	0.6% to 1.3%

**(c) GuocoLeisure Limited (“GL”)**

The GuocoLeisure Share Option Plan (the “GL Plan”) was approved by the shareholders of GL in 2001 to allow the grant of options to eligible participants including employees and executive and non-executive directors of GL and its subsidiaries (the “GL Group”) who are not controlling shareholders of GL. The GL Plan was terminated on 21 November 2008. There were no outstanding options pursuant to the GL Plan as at 30 June 2010, and no option has been granted to any eligible participants pursuant to the GL Plan during the year.

The GL Value Creation Incentive Share Scheme (the “Scheme”) is a share incentive scheme which was approved by the board in 2003 and is administered by its remuneration committee. Under the Scheme, options over existing shares of GL are issued to eligible participants. The Scheme was terminated on 21 November 2008.

## Notes to the Financial Statements

**38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)****(c) GuocoLeisure Limited (“GL”) (cont'd)**

The GuocoLeisure Limited Executives' Share Option Scheme 2008 (the “GL ESOS 2008”) was approved by the shareholders of GL on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the “Effective Date”) in place of the previous GuocoLeisure Share Option Plan and the GL Value Creation Incentive Share Scheme, which were both terminated on 21 November 2008. The GL ESOS 2008 allows the grant of options over newly issued and/or existing shares of GL to eligible participants including employees and executive directors of the GL Group who are not controlling shareholders of GL. The GL ESOS 2008 shall continue to be in force at the discretion of the GL ESOS Committee, subject to a maximum period of 10 years commencing from the GL ESOS Effective Date till 20 November 2018. No options were granted pursuant to the GL ESOS 2008 from the Effective Date up to 30 June 2010.

- (i) *The terms and conditions of the grants that existed during the year, whereby all options are settled by physical delivery of shares:*

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees of GL:			
– on 5 October 2007	15,100,000	1 to 4 years from the date of grant 1,000,000 options lapsed in FY07/08 2,300,000 options lapsed in FY08/09	2.7 to 4.7 years
Total share options	15,100,000		

- (ii) *The number and weighted average exercise prices of share options are as follows:*

	2010		2009	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	<b>S\$1.43</b>	<b>11,800,000</b>	S\$1.43	14,100,000
Lapsed during the year	–	–	S\$1.43	(2,300,000)
Outstanding at the end of the year	<b>S\$1.43</b>	<b>11,800,000</b>	S\$1.43	11,800,000
Exercisable at the end of the year	<b>N/A</b>	–	N/A	–
			<b>2010</b>	2009
The weighted average exercise price per share of the outstanding options			<b>S\$1.43</b>	S\$1.43
The weighted average remaining contractual life of the options			<b>2.1 years</b>	3.1 years

## Notes to the Financial Statements

**38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)****(c) GuocoLeisure Limited ("GL") (cont'd)***(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility, dividend yield and risk-free rate are based on 3-year historical trends.

<b>Date of grant of options</b>	<b>5 October 2007</b>
Fair value at measurement date	S\$0.38 to S\$0.48
Share price at grant date	S\$1.33
Exercise price	S\$1.43
Expected volatility	41.8%
Expected option life	2.7 years to 4.7 years
Expected dividend yield	2.6%
Risk-free interest rate	3.0%

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are managed by the Group's financial management policies and practices described below.

**(a) Credit risk**

The Group's credit risks are primarily attributable to bank deposits, debt securities, derivative financial instruments and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's bank deposits are only deposited in and debt securities are only purchased from counterparties which have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparty and country to manage concentration risk.

The Group's credit exposure in property business is minimal as customers fund their purchases of residential housing units with mortgaged home loans from independent financial institutions. The hotel business has its own credit policy to allow credit period of upto 14 days for certain of its customers. The Group has no significant concentrations of credit risks. The Group only obtain liquid securities as collaterals from margin clients of securities, commodities and brokerage business.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position after deducting any impairment allowance.



## Notes to the Financial Statements

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)****(b) Liquidity risk**

Liquidity is managed on a daily basis by the treasury and finance departments. They are responsible for ensuring that the Group has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	2010						2009					
	Contractual undiscounted cash flow						Contractual undiscounted cash flow					
	Carrying amount US\$'000	Total US\$'000	Within 1 year or on demand US\$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000	Carrying amount US\$'000	Total US\$'000	Within 1 year or on demand US\$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000
<b>The Group</b>												
Non-derivative financial liabilities												
Bank loans	(1,663,444)	(1,767,014)	(932,951)	(103,118)	(729,500)	(1,445)	(1,542,936)	(1,634,989)	(485,945)	(464,335)	(684,709)	-
Unsecured medium term notes	(53,642)	(54,642)	(54,642)	-	-	-	(79,466)	(82,922)	(58,285)	(24,637)	-	-
Secured mortgage debenture stock	(373,033)	(521,874)	(33,624)	(33,624)	(325,688)	(128,938)	(426,569)	(640,133)	(37,666)	(37,666)	(112,998)	(451,803)
Convertible bonds	(257,271)	(276,532)	-	(276,532)	-	-	(469,046)	(504,763)	(242,714)	-	(262,049)	-
Trade and other payables	(713,874)	(713,874)	(671,042)	(2,393)	(40,338)	(101)	(697,403)	(697,403)	(657,941)	(38,409)	(964)	(89)
	<b>(3,061,264)</b>	<b>(3,333,936)</b>	<b>(1,692,259)</b>	<b>(415,667)</b>	<b>(1,095,526)</b>	<b>(130,484)</b>	<b>(3,215,420)</b>	<b>(3,560,210)</b>	<b>(1,482,551)</b>	<b>(565,047)</b>	<b>(1,060,720)</b>	<b>(451,892)</b>
Derivative financial liabilities												
Derivatives settled net:												
Interest rate swaps		(8,850)	(2,064)	(2,014)	(4,772)	-		(3,597)	(2,186)	(352)	(1,059)	-
Derivatives settled gross:												
Forward equity purchase contracts		-	-	-	-	-		(30,300)	(30,300)	-	-	-
Forward foreign exchange contracts												
- outflows		(2,706,885)	(2,706,885)	-	-	-		(496,795)	(496,795)	-	-	-
- inflows		2,690,430	2,690,430	-	-	-		494,420	494,420	-	-	-
Currency option contracts												
- outflows		(42,972)	(42,972)	-	-	-		-	-	-	-	-
- inflows		42,899	42,899	-	-	-		-	-	-	-	-
		<b>(25,378)</b>	<b>(18,592)</b>	<b>(2,014)</b>	<b>(4,772)</b>	<b>-</b>		<b>(36,272)</b>	<b>(34,861)</b>	<b>(352)</b>	<b>(1,059)</b>	<b>-</b>
<b>The Company</b>												
Non-derivative financial liabilities												
Trade and other payables	(2,632)	(2,632)	(2,362)	(270)	-	-	(541)	(541)	(270)	(271)	-	-
Derivative financial liabilities												
Derivatives settled gross:												
Forward foreign exchange contracts												
- outflows		(966,542)	(966,542)	-	-	-		(227,749)	(227,749)	-	-	-
- inflows		966,362	966,362	-	-	-		227,670	227,670	-	-	-
		<b>(180)</b>	<b>(180)</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>(79)</b>	<b>(79)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial guarantees issued to a bank on behalf of a subsidiary (maximum amount guaranteed)		(150,000)	(150,000)	-	-	-		-	-	-	-	-

## Notes to the Financial Statements

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)****(c) Interest rate risk**

The Group's interest rate risk arises from treasury activities and borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. The Group uses interest rate swaps to manage its interest rate exposure. As at 30 June 2010, the Group had interest rate swaps with outstanding notional amount of US\$146.9 million (2009: US\$138.2 million).

**(i) Interest rate profile**

The following table details the interest rate profile of the Group's and the Company's interest earning financial assets and interest bearing financial liabilities at the end of the reportable period.

	2010		2009	
	Effective interest rate	US\$'000	Effective interest rate	US\$'000
<b>The Group</b>				
Floating rate financial assets/(liabilities)				
Debt securities	0.83% to 9.50%	51,596	9.50%	7,125
Bank loans and other borrowings	0.59% to 7.05%	(1,663,444)	0.97% to 6.55%	(1,527,839)
		(1,611,848)		(1,520,714)
Fixed rate financial assets/(liabilities)				
Debt securities	3.49% to 7.25%	24,509	2.50% to 6.20%	7,848
Deposits with banks	0.05% to 4.50%	592,717	0.001% to 6.11%	2,732,920
Bank loans and other borrowings	1.30% to 10.75%	(683,946)	1.10% to 10.75%	(990,178)
		(66,720)		1,750,590
<b>Total</b>		<b>(1,678,568)</b>		<b>229,876</b>

## Notes to the Financial Statements

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)****(c) Interest rate risk (cont'd)***(i) Interest rate profile (cont'd)*

	2010		2009	
	Effective interest rate	US\$'000	Effective interest rate	US\$'000
<b>The Company</b>				
Fixed rate financial assets				
Deposits with banks	0.05% to 4.50%	234,975	0.01% to 3.15%	2,443,282
Amount due from subsidiaries	1.94%	103,696	0.68%	3,570
Held-to-maturity financial assets	8.20%	173,026	8.20%	159,134
		<b>511,697</b>		2,605,986

*(ii) Sensitivity analysis*

As at 30 June 2010, it is estimated that a general increase/decrease of 21 to 54 basis points (2009: 25 to 75 basis points) in interest rates for the Group's various currencies, mainly United States dollars, British pounds, Malaysian Ringgit and Singapore dollars, with all other variables held constant, would have decreased/increased the Group's profit and total equity by approximately US\$3.5 million (2009: increased/decreased of US\$9.5 million). This takes into account the effect of interest earning bank deposits and interest bearing bank loans and other borrowings as at 30 June 2010.

The sensitivity analysis above indicates the instantaneous change in the Group's profit and total equity that would arise assuming that the change in interest rates had occurred at the end of the reportable period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reportable period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

**(d) Foreign currency risk**

Structural foreign currency positions arise mainly on overseas investments in Singapore, Malaysia, PRC and United Kingdom. Currency exposure to these overseas investments is managed primarily at the Group level with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations.

## Notes to the Financial Statements

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)****(d) Foreign currency risk (cont'd)**

The Group from time to time enters into foreign exchange contracts, which are primarily over-the-counter derivatives, principally for hedging foreign currency exposures and investments.

**(i) Exposure to foreign currency risk**

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of interest in subsidiaries are excluded.

	2010					2009				
	Australian Dollars '000	British Pounds '000	Japanese Yen '000	Malaysian Ringgit '000	Singapore Dollars '000	Australian Dollars '000	British Pounds '000	Japanese Yen '000	Malaysian Ringgit '000	Singapore Dollars '000
<b>The Group</b>										
Available-for-sale financial assets	-	-	-	-	-	-	70,439	-	-	-
Trade and other receivables	10,718	91	-	84	5,020	401	5	3,365	763	4,891
Trading financial assets	181,672	195,630	14,026,508	174,360	26,784	9,169	617	814,730	140,655	19,271
Cash and short term funds	182,590	1,742	185,695	34,890	18,676	369,393	94	307	1,796,307	7,226
Trade and other payables	(3,766)	-	-	(528)	(1,341)	(878)	(231)	-	(558)	(2,165)
Bank loans and other borrowings	-	(36,000)	-	-	-	-	(32,500)	-	-	(32,500)
Gross exposure arising from recognised assets and liabilities	371,214	161,463	14,212,203	208,796	49,139	378,085	38,424	818,402	1,937,167	(3,277)
Notional amounts of forward exchange contracts at fair value through profit or loss	(124,878)	(288,249)	(15,704,565)	(47,522)	(37,931)	44,092	(65,897)	(1,169,842)	-	(88,613)
Notional amounts of currency option contracts at fair value through profit or loss	-	-	-	32,300	7,908	-	-	-	-	-
Overall net exposure	246,336	(126,786)	(1,492,362)	193,574	19,116	422,177	(27,473)	(351,440)	1,937,167	(91,890)
<b>The Company</b>										
Trade and other receivables	105	-	-	3,902	25	237	-	-	4,809	-
Cash and short term funds	182,590	810	185,695	34,651	17,159	369,393	-	307	1,796,064	6,642
Gross exposure arising from recognised assets and liabilities	182,695	810	185,695	38,553	17,184	369,630	-	307	1,800,873	6,642

## Notes to the Financial Statements

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)****(d) Foreign currency risk (cont'd)***(ii) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2010			2009		
	Increase in foreign exchange rates	Effect on profit US\$'000	Effect on other components of equity US\$'000	Increase in foreign exchange rates	Effect on profit US\$'000	Effect on other components of equity US\$'000
<b>The Group</b>						
Australian Dollars	3%	6,301	-	1%	2,623	-
British Pounds	3%	(5,710)	-	1%	(1,487)	1,172
Japanese Yen	13%	(5,649)	-	8%	(295)	-
Malaysian Ringgit	3%	1,481	-	1%	5,505	-
Singapore Dollars	4%	274	-	1%	(645)	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit and total equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2009.

**(e) Equity price risk**

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 27) and available-for-sale equity securities (see note 22).

The Group maintains a diversified investment portfolio which comprises listed and unlisted equities. Investments are chosen to enhance creation of capital value for trading purpose as well as for long term potential growth. Investments are classified as "trading" or "strategic". Equity investments are subject to asset allocation limits to control appropriate risks. The portfolio size is regularly reviewed and the price movements are closely monitored by the investment committee, who will take appropriate actions when required.

As at 30 June 2010, it is estimated that an increase/decrease of 8% to 12% (2009: 2% to 8%) in the market value of the Group's global listed trading securities and available-for-sale equity securities, with all other variables held constant, would have increased/decreased the Group's profit and total equity by US\$227.7 million (2009: US\$15.1 million) and US\$57.9 million (2009: US\$20.3 million) respectively. It is assumed that none of the available-for-sale investments would be considered impaired as a result of relevant risk variables. The analysis is performed on the same basis for 2009.

## Notes to the Financial Statements

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)****(f) Fair values*****Financial instruments carried at fair value***

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2010	The Group				The Company			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Assets</b>								
Available-for-sale equity securities:								
– Listed	722,831	-	-	722,831	-	-	-	-
– Unlisted	-	-	43,522	43,522	-	-	203	203
Trading debt securities:								
– Listed	-	39,216	-	39,216	-	-	-	-
– Unlisted	-	36,889	-	36,889	-	-	-	-
Trading equity securities:								
– Listed	2,239,176	-	-	2,239,176	-	-	-	-
Trading unit trusts:								
– Unlisted	-	14,452	-	14,452	-	-	-	-
Derivative financial instruments:								
– Forward exchange contracts	-	5,175	-	5,175	-	-	-	-
– Equity options	-	2,817	-	2,817	-	-	-	-
– Currency options	-	131	-	131	-	-	-	-
	2,962,007	98,680	43,522	3,104,209	-	-	203	203
<b>Liabilities</b>								
Derivative financial instruments:								
– Interest rate swaps	-	2,356	-	2,356	-	-	-	-
– Forward exchange contracts	-	21,312	-	21,312	-	-	-	-
– Currency options	-	112	-	112	-	-	-	-
	-	23,780	-	23,780	-	-	-	-

## Notes to the Financial Statements

**39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)****(f) Fair values (cont'd)*****Financial instruments carried at fair value (cont'd)***

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	<b>The Group</b>
	US\$'000
Unlisted available-for-sale equity securities:	
At 1 July 2009	28,635
Net unrealised gains or losses recognised in other comprehensive income during the period	17,021
Distribution	(2,042)
Exchange adjustments	(92)
At 30 June 2010	43,522

**(g) Fair value estimation**

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2010 and 2009.

Listed investments are stated at quoted market bid prices. Unlisted investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair value of forward exchange contracts is determined using forward exchange rates at the end of the reporting period. The fair value of derivatives financial instruments is determined based on the amount that the Group would receive or pay to terminate the contracts with the independent counterparties.

The fair value of non-derivative financial liabilities is estimated using discounted cash flow analysis on the loan principal, including the interest due on the loans, based on current incremental lending rates for similar instruments at the end of the reporting period.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate the fair value due to the relatively short-term maturity of these financial assets and liabilities.

**40. CAPITAL MANAGEMENT**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

## Notes to the Financial Statements

**40. CAPITAL MANAGEMENT (cont'd)**

The Group monitors its capital structure by reviewing its equity-debt ratio and cashflow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines equity-debt ratio as the ratio of the equity attributable to shareholders of the Group to net debt. Net debt comprises total borrowings less cash and short term funds and marketable securities.

The equity-debt ratio as at 30 June 2010 is as follows:

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Bank loans	<b>1,663,444</b>	1,542,936
Mortgage debenture stock	<b>373,033</b>	426,569
Convertible bonds	<b>257,271</b>	469,046
Other borrowings	<b>53,642</b>	79,466
<b>Total borrowings</b>	<b>2,347,390</b>	2,518,017
Less: Cash and short term funds	<b>(823,720)</b>	(2,944,242)
Marketable securities	<b>(2,329,733)</b>	(359,864)
<b>Net liquid funds</b>	<b>(806,063)</b>	(786,089)
<b>Total equity</b>	<b>6,527,299</b>	6,163,754
<b>Equity-debt ratio</b>	<b>100 : 0</b>	100 : 0

**41. COMMITMENTS****(a) Operating lease arrangements***(i) As lessee*

As at 30 June 2010, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Within 1 year	<b>63,254</b>	69,795
After 1 year but within 5 years	<b>238,489</b>	262,981
After 5 years	<b>1,231,279</b>	1,380,422
<b>Total</b>	<b>1,533,022</b>	1,713,198

The Group leases a number of properties under operating leases. The leases typically run for periods of up to thirty years, with an option to renew the lease after expiry date. Regular lease payment reviews are required by the majority of the lease agreements.



## Notes to the Financial Statements

**41. COMMITMENTS (cont'd)****(a) Operating lease arrangements (cont'd)***(ii) As lessor*

As at 30 June 2010, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	<b>The Group</b>	
	<b>2010</b>	2009
	<b>US\$'000</b>	US\$'000
Within 1 year	<b>8,779</b>	11,385
After 1 year but within 5 years	<b>7,905</b>	5,790
	<b>16,684</b>	17,175

There were also commitments in respect of foreign currency contracts relating to the normal operations as at 30 June 2010.

**(b) Capital commitments outstanding not provided for in the final financial report**

	<b>The Group</b>	
	<b>2010</b>	2009
	<b>US\$'000</b>	US\$'000
Authorised and contracted for	<b>4,152</b>	3,344

The commitment in respect of development expenditure contracted but not provided for in the financial statements by the Group was US\$741.4 million (2009: US\$261.8 million).

**42. CONTINGENT LIABILITIES**

- (i) GL has given a guarantee to the owner of the 20 (2009: 20) hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of the businesses will not be less than US\$41.6 million (2009: US\$46.1 million) per calendar year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability for any one year under the guarantee is US\$41.6 million (2009: US\$46.1 million) and the maximum aggregate liability under the guarantee is approximately US\$83.2 million (2009: US\$92.2 million). Having considered the likelihood of crystallising this contingent liability, management has determined that no provision was required as at 30 June 2010.

## Notes to the Financial Statements

**42. CONTINGENT LIABILITIES (cont'd)**

- (ii) In November 2007, GLL's wholly-owned subsidiary, GuocoLand (China) Limited ("GLC"), completed its acquisition of a 100% interest in Hainan Jing Hao Asset Limited ("Hainan Co"), which in turn held a 90% stake in Beijing Cheng Jian Dong Hua Real Estate Development Company Limited ("DZM Project Co"), the company undertaking the Dongzhimen project in Beijing ("DZM Project"). To date, an aggregate of RMB3.22 billion of the purchase consideration of RMB5.8 billion has been paid to the vendors of the DZM Project, Beijing Beida Jade Bird Company Limited ("BBJB") and its related corporations (collectively, the "DZM Vendors"). The balance of RMB2.58 billion has been withheld pending resolution of disputes described below.

Construction work on the DZM Project is in progress. Structural works have been completed for the residential, hotel, retail components and two office blocks. The airport terminal and transportation centre were completed and handed over to the Beijing government in July 2008.

- (1) *Alleged claims by Shenzhen Development Bank ("SDB") and Agricultural Bank of China ("ABC")*

(a) **SDB**

SDB had claimed that a loan of RMB1.5 billion was granted by SDB to certain borrowers (the "Alleged Loans"). Amongst the security allegedly obtained by SDB is a guarantee by Beijing Dong Hua Guang Chang Zhi Ye Co Ltd ("Zhiye"), a related corporation of BBJB. SDB filed an earlier suit against Zhiye and DZM Project Co in The People's High Court of Beijing ("Beijing Court") but this was dismissed in December 2007. An appeal has been filed by SDB against Zhiye and DZM Project Co in respect of this dismissal ("SDB appeal").

SDB has also initiated another suit directly against DZM Project Co for the recovery of its loan under the Zhiye guarantee ("second SDB suit"). It made an interim application to the Beijing Court to restrict dealing in DZM Project Co's assets in the aggregate sum of its claims.

Based on the information available to GLC, DZM Project Co is neither a guarantor nor borrower of the Alleged Loans granted by SDB to the third party borrowers which were unrelated to DZM Project Co. GLC has been advised by its PRC lawyers that both the SDB appeal and second SDB suit have no merits.

Before the hearing of the SDB appeal and the second SDB suit, SDB and BBJB purportedly entered into a settlement agreement in May 2008 for DZM Project Co to pay RMB1 billion of the Alleged Loans to SDB. GLC has been advised by its PRC lawyers that this settlement agreement is void and unenforceable.

(b) **ABC**

ABC had claimed that DZM Project Co and its immediate holding company, Hainan Co, are guarantors of a loan of RMB2 billion owed by Zhiye to ABC. ABC had commenced legal proceedings against Zhiye, DZM Project Co, Hainan Co and BBJB.

ABC has made an interim application to the Beijing Court to restrict dealing in the assets of Zhiye, DZM Project Co and BBJB in the aggregate sum of its claims against them.

GLC's PRC lawyers are of the view that if DZM Project Co is liable for the loan or any part thereof, GLC is entitled to set off any payment towards the loan against any outstanding balance of the purchase consideration for the DZM Project.

## Notes to the Financial Statements

**42. CONTINGENT LIABILITIES (cont'd)**

- (ii) (1) *Alleged claims by Shenzhen Development Bank ("SDB") and Agricultural Bank of China ("ABC") (cont'd)*

GLC's PRC lawyers have also advised that the interim applications by SDB and ABC only restrict dealing in the assets of DZM Project Co pending final resolution of the SDB and ABC actions. The interim applications will be expunged in the event the PRC courts dismiss the SDB and ABC actions.

- (2) *Hainan Co and DZM Project Co*

In early 2008, GLC received a notice issued by the Industrial and Commercial Administration Bureau of Hainan Province purporting to revert registration of the shares in Hainan Co to its original shareholders, who are two of the DZM Vendors, allegedly on the ground that GLC had not paid the requisite registered capital of Hainan Co.

GLC has challenged the basis for this notice as the full consideration for the transfer of Hainan Co to GLC has been paid to the DZM Vendors. GLL has taken legal advice on these matters and will strongly defend and protect its 90% interest in the DZM Project. GLC has taken various legal actions which are pending hearing and/or adjudication before the PRC courts.

In March 2008, GLC filed a suit against the Industrial and Commercial Administration Bureau of Hainan Province on its reversion of the registration in Hainan Co to the original shareholders. In October 2008, GLC was notified that an administrative judgement by the Hainan Haikou Intermediate People's Court has ruled against GLC. GLC has since appealed to the Hainan High Court against such judgement. The case has been heard by the Hainan High Court and is pending judgement.

GLC has also sought to protect its 90% interest in the DZM Project and has consolidated its legal actions which are now before the Beijing Intermediate Court. GLC is seeking, *inter alia*, for an order as rightful owner that the 90% interest in DZM Project Co be transferred to GLC or its nominee as, amongst other arguments, the development costs of DZM Project have been funded by the GLL Group. Pending final resolution of the aforesaid legal actions, the Beijing Intermediate Court has granted GLC's application for an asset preservation order in respect of the 90% shareholding in DZM Project Co held by Hainan Co.

**43. 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.

## Notes to the Financial Statements

**43. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)****(a) Banking transactions (cont'd)**

Information relating to interest income from these transactions during the year and balance outstanding at the end of the reporting period is set out below:

*(i) Income for the year ended 30 June*

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Interest income	<b>269</b>	746

*(ii) Balance as at 30 June*

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Cash and short term funds	<b>27,201</b>	37,401

**(b) Management fee**

On 25 June 2008, the Company entered into a master services agreement with GOMC Limited ("GOMC") and GuoLine Group Management Co. Limited ("GGMC"), subsidiaries of HLCM, for provision by GOMC or GGMC of management services to the Company and/or its subsidiaries (excluding those subsidiaries which are from time to time incorporated, resident or having principal place of business in Malaysia (the "Malaysian Subsidiaries")), for a term of 3 years from 1 July 2008 to 30 June 2011. Total amount paid or provided for in respect of management fees to GOMC and GGMC for the year ended 30 June 2010 amounted to US\$3,269,000 (2009: US\$100,000) and US\$8,337,000 (2009: US\$4,297,000) respectively.

On 25 June 2008, the Company entered into a master services agreement with HL Management Co Sdn Bhd ("HLMC"), a subsidiary of HLCM, for the provision of management services to the Malaysian Subsidiaries of the Company for a term of 3 years from 1 July 2008 to 30 June 2011. Total amount paid or provided for in respect of management fees to HLMC for the year ended 30 June 2010 amounted to US\$565,000 (2009: US\$316,000).



## Notes to the Financial Statements

**43. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)****(c) Key management personnel information**

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	<b>The Group</b>	
	<b>2010</b> <b>US\$'000</b>	2009 US\$'000
Short-term employee benefits	<b>3,165</b>	2,420

Total remuneration is included in "staff costs" (see note 7(b)).

**(d) Sale of property units**

During the financial year, GLL via its wholly-owned subsidiaries sold certain units in property projects in Singapore to certain directors of the Company and its subsidiaries and relatives of these directors, for a total sale consideration of S\$74,541,000 (approximately US\$53,048,000) in the ordinary course of its business.

**44. PARENT AND ULTIMATE HOLDING COMPANY**

The directors consider the parent company at 30 June 2010 to be Guoline Overseas Limited, which is incorporated in Bermuda and the ultimate holding company to be Hong Leong Company (Malaysia) Berhad, which is incorporated in Malaysia. These entities do not produce financial statements available for public use.

**45. COMPARATIVE FIGURES**

As a result of the application of HKAS 1 (Revised 2007), Presentation of Financial Statements, and HKFRS 8, Operating Segments, certain comparative figures have been adjusted to conform to the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in the annual report for the year ended 30 June 2010. Further details of these developments are disclosed in note 4.

## Notes to the Financial Statements

#### 46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ended 30 June 2010 and which have not been adopted in these financial statements:

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for HKFRS 9, Financial Instruments, which may have an impact on the Group's results and financial position arising from changes in the Group's classification and measurement of financial instruments.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
Improvements to HKFRSs 2009	1 January 2010
Amendments to HKAS 32, Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010
HK(IFRIC) – INT 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011 as appropriate
HKAS 24 (Revised), Related Party Disclosures	1 January 2011
Amendments to HK(IFRIC) – INT 14, HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement	1 January 2011
HKFRS 9, Financial Instruments	1 January 2013

## Major Development Properties and Properties Held for Sale of the Subsidiaries

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
<b>Singapore</b>						
The View @ Meyer situated at Meyer Road	Residential	TOP obtained in 3/2009	N/A	3,352	7,039	65
Goodwood Residence situated at Bukit Timah Road	Residential	85% of piling works completed. Temporary earth-retaining structures works in progress	12/2012	24,845	39,752	65
Sophia Residence situated at 32 Adis Road	Residential	Temporary earth-retaining structures works in progress	12/2012	15,435	32,413	65
Elliot at the East Coast situated at Elliot Walk	Residential	Temporary earth-retaining structures works in progress	6/2012	11,882	16,634	65
The Waterline situated at Yio Chu Kang Road	Residential	Piling works in progress	12/2012	8,072	11,300	65
Leedon Residence situated at Leedon Heights	Residential	Planning	*	48,525	77,640	65
<b>Malaysia</b>						
Emerald 1B situated at Mukim of Rawang, Districts of Gombak and Ulu Selangor, Selangor Darul Ehsan	Residential	Planning	*	189,877	189,877	44
Changkat Kia Peng, situated at Lot 241 Seksyen 63, Bandar, Kuala Lumpur	Residential	Planning	*	3,030	3,030	44

## Major Development Properties and Properties Held for Sale of the Subsidiaries

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
<b>Malaysia (cont'd)</b>						
Commerce One, Bedford Business Park situated at Old Klang Road, Mukim of Petaling Jaya, Kuala Lumpur	Commercial	Phase 1: TOP obtained in 4/2010	N/A	4,634	38,070	44
		Phase 2: Earthworks completed	6/2013			
Bukit Rahman Putra situated at Mukim of Sg. Buloh, Selangor Darul Ehsan – Ph 6B, Ph 6C, Ph 6D & CL8	Residential	Main building works in progress	10/2010 to 2/2011	112,458	81,579	44
– Ph 5B, Ph 8D, CL5 & CL11	Residential	Planning	*	17,442	17,442	44
Site situated at Lot 3059, Mukim of Hulu Kelang, District of Gombak, Selangor Darul Ehsan	Residential	Planning	*	30,351	30,351	44
Damansara CITY situated at Damansara Town Centre, Kuala Lumpur	Residential/ Commercial	Earthworks and piling works completed	*	34,438	203,332	44
Site situated at Geran No. 20438, Lot 36, Bandar Batu Ferringhi, Pulau Pinang	Residential	Planning	*	18,538	18,538	44
The Nest, situated at Seksyen 9, Tempat Sungai Kantan, Daerah Hulu Langat, Selangor Darul Ehsan	Residential	Various stages of completion	1/2013	35,369	16,274	44





## Major Development Properties and Properties Held for Sale of the Subsidiaries

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
<b>Malaysia (cont'd)</b>						
The Cirrus situated within Taman Mutiara Barat, Off Jalan Cheras, Kuala Lumpur	Residential	Phase 1: Completed	8/2010	65,275	63,938	44
		Phase 2: Planning	*			
OVAl Kuala Lumpur situated at Jalan Binjai, Kuala Lumpur	Residential	TOP obtained in 9/2009	N/A	N/A	54,474	44
<b>The People's Republic of China</b>						
West End Point situated in Xuanwu District, Beijing	Residential/ Commercial	TOP obtained in 8/2008	N/A	36,501	140,759	65
Hillview Regency situated in Xuanwu District, Nanjing	Residential/ Commercial	Planning	*	296,002	484,676	65
Ascot Park situated in Qixia District, Nanjing	Residential	Phase 1: TOP obtained in 12/2009	N/A	89,709	238,646	62
		Phase 2: Construction works in progress	12/2010			
	Commercial	Planning	*			
GuoSon Centre Changfeng situated in Putuo District, Shanghai	SOHO/ Commercial	Phase 1: TOP obtained in 11/2009	N/A	143,845	492,272	65
		Phase 2: Construction works in progress	3/2011 to 9/2012			

## Major Development Properties and Properties Held for Sale of the Subsidiaries

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
<b>The People's Republic of China (cont'd)</b>						
Seasons Park situated in Nankai District, Tianjin	Residential	Construction works in progress	10/2011 to 4/2012	25,866	209,661	65
GuoSon Centre Dongzhimen situated in Dong Cheng District, Beijing	Residential/ Commercial	Construction works in progress	9/2010 to 4/2011	106,000	590,800	59
<b>Vietnam</b>						
The Canary situated in Thuan An District, Binh Duong Province	Residential/ Commercial	Phase 1: TOP obtained in 12/2009	N/A	175,533	285,000	65
		Phase 2: Construction works in progress	5/2012			
		Phases 3 & 4: Planning	*			

\* Not applicable as construction for these developments have not commenced.

N/A: Not applicable



## Major Properties of the Subsidiaries Held for Investment

Location	Existing Use	Tenure of Land
<b>Singapore</b>		
Tung Centre 20 Collyer Quay Singapore 049319	Office building	999 years lease with effect from 5 November 1862
Lots 99951A, 99952K and 99953N Part of 61 Robinson Road Singapore 068893	Reversionary interests in freehold land	(Note)
<p>Note: The Group disposed its interests in a 98-year lease (with effect from 19 March 1998) in the freehold land in July 2006 to a third party. Accordingly, the Group recognised its reversionary interests in the freehold land.</p>		
<b>Malaysia</b>		
Bangunan Hong Leong No. 117 Jalan Tun H.S. Lee 50000 Kuala Lumpur	Office building	Freehold
Menara Pandan Persiaran MPAJ Jalan Pandan Utama Pandan Indah 55100 Kuala Lumpur	Office building	99 years lease with effect from 25 March 2002
Damansara CITY Lot PT 5787 Jalan Damanlela Bukit Damansara Kuala Lumpur	Land under development	Freehold
<b>Hong Kong</b>		
The Center 15th Floor 99 Queen's Road Central Hong Kong	Office building	From 24 November 1995 to 30 June 2047

