

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 2004.

## PRINCIPAL ACTIVITIES

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

The analysis of the principal activities and geographical locations of operations of the Company and its subsidiaries during the year is set out in Note 16 on the financial statements.

## FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2004 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 36 to 90.

## MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total purchases
The largest supplier	37%
Five largest suppliers in aggregate	78%

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\$73,000 (2003: US\$81,000).

## DIVIDENDS

An interim dividend of HK\$0.40 (2003: HK\$0.40) per share totalling HK\$131,621,000 (2003: HK\$130,885,000) was paid on 6 April 2004. The directors are recommending payment of a final dividend in respect of the year ended 30 June 2004 of HK\$2.60 (2003: HK\$0.70) per share totalling HK\$855,534,000 (2003: HK\$229,048,000).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 October 2004 to 15 October 2004, both days inclusive, during which period no share transfers will be registered.

To qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:00 p.m. on 11 October 2004.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are shown in Note 31 on the financial statements.

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

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

## FIXED ASSETS

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

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 32 on the financial statements.

## SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 16 on the financial statements.

## DIRECTORS

The Board of Directors meets regularly and members of the Board receive information between meetings about the developments in the Company's business. The Board is responsible for devising and implementing the overall group strategy, acquisition and divestment policy, and the approval of major capital expenditure projects and consideration of significant financing matters. It regularly reviews the financial performance and business of the Group.

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

Quek Leng Chan - Executive Chairman

Kwek Leng Hai - President, CEO

Sat Pal Khattar\*\*

Kwek Leng San\*

Tan Lim Heng

Harry Richard Wilkinson\*\*

James Eng, Jr.

Volker Stoeckel\*\* (appointed with effect from 24 May 2004)

Jamal Al-Babtain\* (resigned with effect from 7 May 2004)

Tung Hsi Hui, Frank\*\* (resigned with effect from 14 November 2003)

Peter Anthony Wakefield\* (resigned with effect from 12 November 2003)

\* *Non-executive director*

\*\* *Independent non-executive director*

In accordance with the Company's Bye-Law 99, Messrs Sat Pal Khattar and James Eng, Jr. will retire from office by rotation at the forthcoming annual general meeting. In accordance with the Company's Bye-Law 102, Mr Volker Stoeckel shall hold office until the forthcoming annual general meeting. All of them, being eligible, offer themselves for re-election.

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

The non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation at annual general meetings in accordance with the Bye-Laws of the Company.

The Company received confirmation of independence in respect of the year ended 30 June 2004 from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

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

As at 30 June 2004, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Company ("Model Code") were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### (A) The Company

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of the Company
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	1,656,325	231,086,229	232,742,554 <i>Note</i>	70.73%
Kwek Leng Hai	2,820,775	—	2,820,775	0.86%
Sat Pal Khattar	691,125	—	691,125	0.21%
Kwek Leng San	209,120	—	209,120	0.06%
Tan Lim Heng	559,230	—	559,230	0.17%
James Eng, Jr.	565,443	—	565,443	0.17%
Harry Richard Wilkinson	5,000	—	5,000	0.00%

\* Ordinary shares unless otherwise specified in the Note

*Note:*

The total interests of 232,742,554 shares/underlying shares comprised 217,563,347 ordinary shares of the Company and 15,179,207 underlying shares of other unlisted derivatives.

The corporate interests of 231,086,229 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
MPI (BVI) Limited ("MPI (BVI)")	327,575
Hong Leong (Netherlands Antilles) N.V. ("HLNA")	7,320,359
GuoInvest International Limited ("GuoInvest")	6,425,000

MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 56.11% owned by Hong Leong Industries Berhad which was in turn 58.99% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). GOL, HLNA and GuoInvest were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by HLCM. HLCM was 49.11% owned by Mr Quek Leng Chan (2.43%) and HL Holdings Sdn Bhd (46.68%) which was in turn wholly owned by Mr Quek Leng Chan.

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

(B) Associated Corporations

a) Hong Leong Company (Malaysia) Berhad ("HLCM")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLCM
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	390,000	7,487,100	7,877,100 <i>Note</i>	49.11%
Kwek Leng Hai	400,500	—	400,500	2.50%
Kwek Leng San	97,500	—	97,500	0.61%

\* Ordinary shares

*Note:*

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

b) GuocoLand Limited ("GLL")

Director	Number of *shares (Long Position)			Notes	Approx. % of the issued share capital of GLL
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	14,047,224	458,785,229	472,832,453	1	69.99%
Kwek Leng Hai	18,851,140	—	18,851,140		3.09%
Sat Pal Khattar	5,000,000	5,392,362	10,392,362	2	1.54%
Volker Stoeckel	100,000	—	100,000		0.01%

\* Ordinary shares

*Notes:*

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

	Number of shares
Hong Leong Consultancy Services Sdn Bhd ("HLCS")	44,045,989
Guoco Investment Pte Ltd ("GIPL")	345,696,942
Asia Fountain Investment Company Limited ("AFI")	69,042,298

GIPL and AFI were wholly owned subsidiaries of the Company. HLCS was wholly owned by Hong Leong Management Co Sdn Bhd which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). The respective controlling shareholders of the Company and HLCM as well as their respective percentage controls are shown in the Note under Part (A) above.

- The corporate interests of 5,392,362 were directly held by Khattar Holdings Pte Ltd which was 0.61% owned by Mr Sat Pal Khattar and was accustomed to act according to his directions.

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

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

#### c) Hong Leong Credit Berhad ("HLCB")

Director	Number of *shares/underlying shares (Long Position)			Notes	Approx. % of the issued share capital of HLCB
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	11,046,600	821,053,254	832,099,854	1	79.95%
Kwek Leng Hai	916,800	—	916,800	2	0.09%
Tan Lim Heng	245,700	—	245,700		N/A

\* Ordinary shares unless otherwise specified in the Notes

#### Notes:

- The total interests of 832,099,854 shares/underlying shares comprised 824,870,154 ordinary shares of HLCB and 7,229,700 underlying shares of other unlisted derivatives.

The corporate interests of 821,053,254 shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,476,568
Hong Leong Management Co Sdn Bhd ("HLMC")	263,440
Hong Leong Nominees Sendirian Berhad ("HLN")	3,600
Guoinvest International Limited ("Guoinvest")	7,229,700
Guoco Investments (Bermuda) Limited ("GIB")	41,686,700
Guoco Assets Sdn Bhd ("GASB")	225,393,246

GIB and GASB were wholly owned by the Company. HLN was wholly owned by HLMC which was in turn wholly owned by HLCM.

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

- The total interests of 916,800 shares/underlying shares comprised 756,000 ordinary shares of HLCB and 160,800 underlying shares of listed physically settled options issued by HLCB exercisable between 20 August 1997 and 27 June 2007 at an exercise price of MYR4.99 per share.

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

(B) Associated Corporations (Cont'd)

d) Hong Leong Properties Berhad ("HLPB")

Director	Number of *shares/underlying shares (Long Position)			Notes	Approx. % of the issued share capital of HLPB
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	3,266,280	335,067,692	338,333,972	1	48.30%
Kwek Leng Hai	226,800	—	226,800		0.03%
Sat Pal Khattar	162,700	—	162,700	2	0.02%
Tan Lim Heng	73,710	—	73,710		0.01%

\* Ordinary shares unless otherwise specified in the Note

Notes:

- The total interests of 338,333,972 shares/underlying shares comprised 307,820,892 ordinary shares of HLPB, 28,853,120 underlying shares of listed physically settled options issued by HLPB exercisable between 2 October 1995 and 1 October 2005 at an exercisable price of MYR3.05 per share and 1,659,960 underlying shares of other unlisted derivatives.

The corporate interest of 335,067,692 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Guoinvest International Limited ("Guoinvest")	1,659,960
GLL (Malaysia) Pte Ltd ("GLLM")	292,138,657
Hong Leong Management Co Sdn Bhd ("HLMC")	107,082
OYL (BVI) Limited ("OYL(BVI)")	4,343,000
Hume Plastics (Malaysia) Sdn Berhad ("HPM")	3,005,286
Hong Leong Industries Berhad ("HLI")	2,188,500
HLI Trading Limited ("HLIT")	14
MPI (BVI) Limited ("MPI(BVI)")	2,772,100
Hong Leong Credit Berhad ("HLCB")	28,853,093

GLLM was wholly owned by GuocoLand Limited ("GLL"). HLIT was wholly owned by HLI. HPM was wholly owned by Hume Industries (Malaysia) Berhad which was 64.22% owned by HLCM. OYL(BVI) was wholly owned by O.Y.L. Industries Bhd which was in turn 39.77% owned by Hong Leong Secretarial Services Sdn Bhd ("HLSS"). HLSS was wholly owned by HLMC.

The respective controlling shareholders of Guoinvest, HLCM, HLI and MPI(BVI) and their respective percentage controls are shown in the Note under Part (A) above.

The respective controlling shareholders of GLL and HLMC as well as their percentage controls are shown in Note 1 under Part (B)(b) above.

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

- The total interests of 162,700 shares/underlying shares comprised 152,700 ordinary shares of HLPB and 10,000 underlying shares of listed physically settled options issued by HLPB exercisable between 2 October 1995 and 1 October 2005 at an exercisable price of MYR3.05 per share.

## 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/underlying shares (Long Position)/ Amount of debentures			Notes	Approx. % of the issued share capital of HLI
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	1,308,000	169,574,935	170,882,935	1	78.39%
Kwek Leng Hai	215,312	—	215,312	2	0.10%
	MYR165,000	—	MYR165,000	3	N/A
Sat Pal Khattar	208,580	—	208,580	4	0.10%
	MYR171,000	—	MYR171,000	5	N/A
Kwek Leng San	2,200,000	—	2,200,000	6	1.01%
	MYR1,550,000	—	MYR1,550,000	7	N/A

\* Ordinary shares unless otherwise specified in the Notes

#### Notes:

- The total interests of 170,882,935 shares/underlying shares comprised 131,402,500 ordinary shares of HLI, 15,313,372 underlying shares of listed physically settled options issued by HLI exercisable between 13 November 2001 and 13 November 2006 at an exercisable price of MYR8.00 per share and 24,167,063 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.

The corporate interests of 169,574,935 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	167,343,072
Hong Leong Management Co Sdn Bhd ("HLMC")	46,703
Hong Leong Assurance Berhad ("HLA")	1,935,483
Hong Leong Finance Berhad ("HLF")	249,677

HLF was wholly owned by Hong Leong Bank Berhad which was in turn approximately 60.22% owned by HLCB. HLA was wholly owned by HLCB.

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

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

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

- The total interests of 215,312 shares/underlying shares comprised 163,200 ordinary shares of HLI, 25,500 underlying shares of listed physically settled options issued by HLI exercisable between 13 November 2001 and 13 November 2006 at an exercise price of MYR8.00 per share and 26,612 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.
- These debentures were freely transferable and convertible into shares of HLI and were exercisable between 28 June 2002 and 28 June 2007.

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

(B) Associated Corporations (Cont'd)

e) *Hong Leong Industries Berhad ("HLI") (Cont'd)*

4. The total interests of 208,580 shares/underlying shares comprised 171,000 ordinary shares of HLI, 10,000 underlying shares of listed physically settled options issued by HLI exercisable between 13 November 2001 and 13 November 2006 at an exercise price of MYR8.00 per share and 27,580 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.
5. These debentures were freely transferable and convertible into shares of HLI and were exercisable between 28 June 2002 and 28 June 2007.
6. The total interests of 2,200,000 shares/underlying shares comprised 1,550,000 ordinary shares of HLI, 400,000 underlying shares of unlisted physically settled options issued by HLI exercisable between 24 December 1999 and 23 December 2004 at an exercise price of MYR8.83 per share and 250,000 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.
7. These debentures were freely transferable and convertible into shares of HLI and were exercisable between 28 June 2002 and 28 June 2007.

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

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLBB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	40,000	951,573,500	951,613,500 <i>Note</i>	60.22%
Kwek Leng Hai	3,955,700	—	3,955,700	0.25%
Sat Pal Khattar	294,000	—	294,000	0.02%
Kwek Leng San	385,000	—	385,000	0.02%

\* *Ordinary shares*

*Note:*

The corporate interest of 951,573,500 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Credit Berhad ("HLCB")	948,973,500
Hong Leong Equities Sdn Bhd ("HLESB")	2,600,000

HLESB was wholly owned by HLCB. The controlling shareholder of HLCB and its percentage control are shown in Note 1 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)

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

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLGC
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	500,000	—	500,000	0.41%
Kwek Leng San	119,000	—	119,000	0.10%

\* Ordinary shares

##### h) Malaysian Pacific Industries Berhad ("MPI")

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of MPI
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	53,500	115,737,009	115,790,509 <i>Note</i>	58.21%
Sat Pal Khattar	210,000	—	210,000	0.11%
Kwek Leng San	315,000	—	315,000	0.16%

\* Ordinary shares unless otherwise specified in the Note

*Note:*

The total interests of 115,790,509 shares/underlying shares comprised 114,031,109 ordinary shares of MPI and 1,759,400 underlying shares of other unlisted derivatives.

The corporate interests of 115,737,009 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Industries Berhad ("HLI")	111,609,547
Guoinvest International Limited ("Guoinvest")	1,759,400
Hongvest Sdn Bhd ("Hongvest")	735,000
Hong Leong Nominees Sendirian Berhad ("HLN")	6,462
Hong Leong Assurance Berhad ("HLA")	1,376,600
Hong Leong Finance Berhad ("HLF")	250,000

Hongvest was wholly owned by MPI Holdings Sdn Bhd which was in turn wholly owned by HLCM.

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

The respective controlling shareholders of HLCB and HLN as well as their respective percentage controls are shown in Note 1 under Part (B)(c) above.

The respective controlling shareholders of HLI, HLA and HLF as well as their respective percentage controls are shown in Note 1 under Part (B)(e) above.

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

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

#### i) Hume Industries (Malaysia) Berhad ("HIMB")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HIMB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	4,034,000	115,605,894	119,639,894 <i>Note</i>	64.59%
Sat Pal Khattar	200,000	—	200,000	0.12%

\* Ordinary shares

*Note:*

The corporate interests of 115,605,894 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	113,987,027
Hong Leong Management Co Sdn Bhd ("HLMC")	38,867
Hong Leong Assurance Berhad ("HLA")	1,580,000

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

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

The controlling shareholding of HLA and its percentage control are shown in Note 1 of Part (B)(e) above.

#### j) Narra Industries Berhad ("NIB")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of NIB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	8,170,200	38,304,000	46,474,200 <i>Note</i>	74.73%

\* Ordinary shares

*Note:*

The corporate interests of 38,304,000 shares were directly held by Hume Industries (Malaysia) Berhad ("HIMB"). The controlling shareholder of HIMB and its percentage control are shown in the Note of Part (B)(i) above.

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

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

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

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of LSHK
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	2,300,000	—	2,300,000	0.95%
Tan Lim Heng	274,000	—	274,000	0.11%
James Eng, Jr.	149,000	—	149,000	0.06%

\* *Ordinary shares*

### (C) Others

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

Benchmark Group PLC	MEHY Sdn Bhd
Guoman Hotel & Resort Holdings Sdn Bhd	RZA Logistics Sdn Bhd
Luck Hock Venture Holdings, Inc.	Lam Soon (Hong Kong) Limited
Carsem (M) Sdn Bhd	LS Golden Oils & Fats Limited
Carter Realty Sdn Bhd	Kwok Wah Hong Flour Company Limited
Guolene Packaging Industries Berhad	M.C. Packaging Offshore Limited
Guolene Plastic Films Sdn Bhd	Lam Soon Ball Yamamura Incorporation
Guocera Tile Industries (Meru) Sdn Bhd	Guangzhou Lam Soon Food Products Limited
Guocera Tile Industries (Labuan) Sdn Bhd	Shenzhen Lam Soon Edible Oils Company Limited
Hong Leong Fund Management Sdn Bhd	Shekou Lam Soon Silo Company Limited
Hong Leong Yamaha Distributors Sdn Bhd	HLG Capital Berhad
Hong Leong Yamaha Motor 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 Rule 13 of Appendix 16 to the Listing Rules.

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

Save as disclosed above, as at 30 June 2004, 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 the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

SHARE OPTIONS

The Company

*Executive Share Option Scheme*

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

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

The aggregate number of shares issued and issuable upon the exercise of all share options would not exceed 10% of the number of shares in issue from time to time. No share option would be granted to any one person, which, if exercised in full, would result in the total number of shares already issued and issuable to that person under all share options previously granted to him exceeding 25% of the maximum aggregate number of shares in respect of which share options might be granted under the ESOS.

On 6 December 1999, share options for the exercise of an aggregate of 9,800,000 shares at HK\$20.33 per share were granted to certain directors of the Company and employees of the Group pursuant to the ESOS. The closing market price per share on that date was HK\$23.60. There were no outstanding options as at 30 June 2004. Details of the share options granted to directors and employees during the year are as follows:

Grantee	No. of share options		Exercise period of share option	No. of shares acquired on exercise of share options during the year	Weighted average closing price immediately before the date of exercise HK\$
	as at 1 July 2003	as at 30 June 2004			
Quek Leng Chan	600,000	—	12 November 2003 to 12 February 2004	600,000	55.00
Kwek Leng Hai	600,000	—	12 November 2003 to 12 February 2004	600,000	55.00
Sat Pal Khattar	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00
Kwek Leng San	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00
Tan Lim Heng	200,000	—	12 November 2003 to 12 February 2004	200,000	55.00
Harry Richard Wilkinson	60,000	—	12 November 2003 to 12 February 2004	60,000	54.50
James Eng, Jr.	200,000	—	12 November 2003 to 12 February 2004	200,000	55.00
Employee	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00

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

## SHARE OPTIONS (Cont'd)

### The Company (Cont'd)

#### *Share Option Scheme*

A new share option scheme (the "New Scheme") was adopted by the Company on 29 November 2001 for the purpose of providing any employee or director of the Company or any of its subsidiaries or associated companies (the "Eligible Employees") the opportunity of participating in the growth and success of the Group. The number of shares that may be issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 32,721,137 which represents approximately 9.94% of the shares in issue of the Company on the date of this report. The maximum entitlement for any Eligible Employee in respect of the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant, if exercised in full, does not exceed 1% of the shares of the Company in issue immediately before such subscription.

The option price per share payable upon exercise of any option will be determined by the directors upon the grant of the 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 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 option; and (c) the nominal value of a share.

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

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

#### *Share Option Plan*

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

Unlike a traditional employee share option scheme, the Share Option Plan involves options over existing issued shares of the Company but not unissued shares of the Company and thereby avoids the uncertainty for the shareholders of potential dilutionary effect on the Company's issued share capital from time to time. A trust (the "Trust") has been set up for the purpose of acquiring existing shares of the Company to satisfy outstanding options from time to time while a wholly owned subsidiary of the Company as the trustee is responsible for administering the Trust.

The number of shares that may be transferred upon exercise of all share options to be granted under the Share Option Plan shall not in aggregate exceed 32,721,137 which represents approximately 9.94% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Participant in respect to the total number of shares transferred and to be transferred upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant will not exceed 1% of the shares of the Company in issue at any date of grant.

The exercise price of an option for the purchase of a 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 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 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 option within 21 days from the date of making such offer. The exercise period of the 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 option may be granted more than ten years after 16 December 2002, the date on which the Share Option Plan was adopted by the Company.

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

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

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

A committee (the “Committee”) comprising directors of GLL who are presently not participants of the Option Scheme may grant options to eligible persons of the GLL Group (“GLL Employees”) to participate in the Option Scheme. The aggregate number of shares in GLL over which the Committee may grant options under the Option Scheme on any date shall not exceed 5% of the issued share capital of GLL on the day preceding that date. The total number of shares available for issue under the Option Scheme was 27,896,182 representing approximately 4.19% of the issued share capital of GLL as at the date of this report.

The maximum entitlement of any GLL Employee shall not exceed 25% in aggregate of the total number of GLL shares which have been issued and are to be issued by GLL pursuant to the exercise of options under the Option Scheme. The grant of option to a GLL Employee shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1 as consideration. The Option Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 15 years commencing on 31 December 1998.

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

On 27 April 1999, 5,380,000 options were granted to GLL Employees including executive directors, which are exercisable at S\$2.28 per share. As at 1 July 2003, 3,440,000 options were outstanding. These options will expire on 26 April 2009. During the year, no options had lapsed. Further as no additional options were granted pursuant to the Option Scheme and no GLL shares were issued as a result of the exercise of options, the number of outstanding options as at 30 June 2004 remained as 3,440,000.

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

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2004, other than the interests and short positions of the directors of the Company as disclosed above, the persons who had interests or short positions in the shares and underlying shares of 5% or more in the Company's issued share capital as recorded in the register maintained by the Company under Section 336 of the SFO are as follows:

Shareholders	Capacity	Number of shares/ underlying shares (Long Position)	Notes	Approx. % of the issued share capital
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	231,086,229	1	70.23%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	231,086,229	2 & 3	70.23%
Hong Leong Investment Holdings Pte Ltd ("HLInv")	Interest of controlled corporations	231,086,229	2 & 4	70.23%
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	231,086,229	2 & 5	70.23%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	231,086,229	2 & 6	70.23%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	231,086,229	2 & 7	70.23%

*Notes:*

- These interests comprised 215,907,022 ordinary shares of the Company and 15,179,207 underlying shares of unlisted cash settled derivatives.

These interests comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
MPI (BVI) Limited ("MPI (BVI)")	327,575
Hong Leong (Netherlands Antilles) N.V. ("HLNA")	7,320,359
GuoInvest International Limited ("GuoInvest")	6,425,000

GuoInvest was wholly owned by GuoLine Capital Assets Limited ("GCA"). MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 56.11% owned by Hong Leong Industries Berhad which was in turn 58.99% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLNA and GOL were wholly owned by GCA which was in turn wholly owned by HLCM.

- The interests of HLCM, HLH, HLInv, KH, Davos and KLK are duplicated.
- HLH was deemed to be interested in these interests through its controlling interests of 49.11% in HLCM.
- HLInv was deemed to be interested in these interests through its controlling interests of 34.49% in HLCM.
- KH was deemed to be interested in these interests through its controlling interests of 49.00% in HLInv.
- Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLInv.
- KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

Save as disclosed above, as at 30 June 2004, the Company had not be notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to the Part XV of the SFO or as recorded in the register maintained by the Company under Section 336 of the SFO.

## BOARD AUDIT COMMITTEE

A Board Audit Committee (“BAC”) was established on 9 October 1998 with written terms of reference.

The BAC currently comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar, Volker Stoeckel and Kwek Leng Hai. Messrs Harry Richard Wilkinson, Sat Pal Khattar and Volker Stoeckel are independent non-executive directors. Mr Kwek Leng Hai, being an executive director of the Company, will resign from the BAC with effect from 30 September 2004 in order to comply with the requirements of the Listing Rules. The BAC oversees the financial reporting process and the adequacy and effectiveness of the Company’s system of internal controls.

The BAC meets with the Company’s internal auditors, and reviews the audit plans, the internal audit programme, the results of their examinations and their evaluations of the system of internal controls. It also reviews interests in contracts and connected transactions. The BAC meets with the external auditors and reviews the financial statements of the Company and the consolidated financial statements of the Group and the auditors’ report thereon and submits its views to the Board of Directors. Three BAC meetings were held during the year.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors are not appointed for a specific term but their terms of office are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company’s Bye-Laws.

## INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$12.9 million (2003: approximately US\$16.0 million).

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

### Services agreements

#### (a) *Services Agreement dated 21 August 2001*

On 21 August 2001, the Company entered into a services agreement (the “GOMC Services Agreement”) with Hong Leong Overseas (H.K.) Limited, which was renamed as GOMC Limited (“GOMC”) in February 2003, for the provision of certain services by GOMC to the Company and its subsidiaries and associated companies from time to time. The services agreed to be provided under the GOMC Services Agreement include formulation of strategy and planning, overview of investment and financial management, treasury and risk management services and technical assistance with respect to operating practices and procedures, accounting and other services. The consideration for the services provided was fixed at HK\$100,000 per month (or such other amount as may be agreed from time to time between GOMC and the Company) and an annual fee equal to 3% of the annual consolidated profits before tax of the Group for each financial year. The GOMC Services Agreement is for a term of one year and shall be automatically renewable, on the same terms, for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

GOMC is an indirect wholly-owned subsidiary of HLCM, the ultimate holding company of the Company. Mr Quek Leng Chan is deemed to have a material interest in the GOMC Services Agreement as a deemed controlling shareholder of HLCM.

The Company applied for and the Stock Exchange granted a conditional waiver from strict compliance with the disclosure requirements of connected transactions as stipulated under Rule 14.25(1) of the Listing Rules applying prior to 31 March 2004 in respect of the future connected transactions arising from the renewal of the GOMC Services Agreement (the “GOMC Transactions”).



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

### Services agreements (Cont'd)

#### (a) *Services Agreement dated 21 August 2001 (Cont'd)*

The independent non-executive directors of the Company reviewed the GOMC Transactions during the year and confirm that:

- (1) the GOMC Transactions were:
  - (i) entered into by the Company in the ordinary and usual course of its business;
  - (ii) conducted on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and
  - (iii) entered into in accordance with the terms of the agreements governing the GOMC Transactions;
- (2) the aggregate amount of the GOMC Transactions was approximately HK\$74,169,000 for the year ended 30 June 2004 and did not exceed the cap amount of 3% of the book value of the audited net tangible assets of the Company and its subsidiaries as at 30 June 2004 pursuant to Rule 14.25(1) of the Listing Rules applying prior to 31 March 2004.

#### (b) *Services Agreement dated 6 June 2003*

On 6 June 2002, the Company entered into a services agreement (the "GLL Services Agreement") with GuocoLand Limited ("GLL") for the provision of certain services by the Company to GLL and its subsidiaries and associated companies from time to time. The services agreed to be provided under the GLL Services Agreement include overview of GLL's corporate strategies and planning and oversight of investment and financial management disciplines, treasury and risk management, human resource and management development, development of quality and productivity programmes and other operating practices and procedures. The consideration for the services provided was fixed at HK\$50,000 per month (or such other amount as may be agreed from time to time between GLL and the Company) and an annual fee equal to 3% of the annual consolidated profits before tax of GLL for each financial year. The GLL Services Agreement was automatically renewable after the financial year end date of 30 June 2004 for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

GLL is an indirect 62.4% subsidiary of the Company. Mr Quek Leng Chan is deemed to have a material interest in the GLL Services Agreement by virtue of his direct and indirect interests in the issued share capital of GLL.

The Company applied for and the Stock Exchange granted a conditional waiver from strict compliance with the disclosure requirements of connected transactions as stipulated under Rule 14.25(1) of the Listing Rules applying prior to 31 March 2004 in respect of the future connected transactions arising from the renewal of the GLL Services Agreement (the "GLL Transactions").

The independent non-executive directors of the Company reviewed the GLL Transactions during the year and confirm that:

- (1) the GLL Transactions were:
  - (i) entered into by the Company in the ordinary and usual course of its business;
  - (ii) conducted on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and
  - (iii) entered into in accordance with the terms of the Service Agreement governing the GLL Transactions;
- (2) the aggregate amount of the GLL Transactions was approximately HK\$16,094,000 for the year ended 30 June 2004 and did not exceed the cap amount of the higher of HK\$10,000,000 or 3% of the book value of the audited net tangible assets of the Company and its subsidiaries as at 30 June 2004 pursuant to Rule 14.25(1) of the Listing Rules applying prior to 31 March 2004.

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

**Sale and purchase agreement**

On 25 September 2003, the Company and HLCM (collectively as the vendors) entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with GLL (as the purchaser) for the disposal of 79,000,394 and 198,222,563 ordinary shares of MYR0.50 each in the issued share capital of Hong Leong Properties Berhad ("HLPB") by the Company and HLCM respectively to GLL at a purchase price of MYR0.57 per share, equivalent to the simple average of the closing prices of HLPB Shares quoted on the Kuala Lumpur Stock Exchange for the 30 consecutive trading days prior to the date of the Sale and Purchase Agreement. The aggregate purchase consideration under Sale and Purchase Agreement amounted to approximately MYR158 million.

The purchase consideration is to be satisfied through the issue by GLL to the Company and HLCM respectively of 17,554,260 and 44,045,989 new shares of S\$1 each in the share capital of GLL at an issue price of S\$1.18 per share, equivalent to the simple average of the closing prices of GLL shares quoted on Singapore Exchange Securities Trading Limited for the 30 consecutive trading days prior to the date of the Sale and Purchase Agreement.

The restructure exercise consolidates HLPB shares held by the Group and the HLCM group into GLL to allow GLL to build up its presence in the property market of Malaysia via its participation in HLPB, a listed property group with established management team and good local knowledge of the Malaysian property market.

GLL is an indirect 62.4% subsidiary of the Company. HLCM is the ultimate holding company of the Company. Mr Quek Leng Chan is deemed to have a material interest in the Sale and Purchase Agreement as a deemed controlling shareholder of HLCM and by virtue of his direct and indirect interests in the issued share capital of GLL.

**Share option plan**

The Company obtained shareholders' approval to adopt the Share Option Plan on 16 December 2002 and a trust for the Share Option Plan (the "Trust") was established. The Trust will acquire existing issued shares of the Company (the "Existing Shares") for the purpose of satisfying outstanding options to be granted pursuant to the Share Option Plan. The Company will make loans to the Trust from time to time to enable the Trust to acquire the Existing Shares for the purpose of the Trust pursuant to a trust deed (the "Trust Deed") between the Company and a trustee of the Trust (the "Trustee", a wholly owned subsidiary of the Company).

The grant of loans to the Trust pursuant to the Trust Deed and the grant of options to the participants (which include connected persons as defined under the Listing Rules) pursuant to the Share Option Plan from time to time constitute continuing connected transactions under Chapter 14A of the Listing Rules.

All directors of the Company will be interested in the grant of loans to the Trust and the grant of options, if any, pursuant to the Share Option Plan as an eligible participant to the Share Option Plan. During the year, no loan was made by the Company to the Trust and no option was granted pursuant to the Share Option Plan.

**Others**

- (1) The Hong Leong Bank Berhad ("HLBB") group has, from time to time, provided services to the Company and its connected persons (as defined in the Listing Rules) in the ordinary course of its banking business including, inter alia, loan advances, deposits, cheque clearing, remittance, the provision of account services in a variety of currencies, nominee and custodian services and occasionally short term credit accommodation. All services provided by HLBB group are in the ordinary course of business and on normal commercial terms.

HLBB is an indirect subsidiary of HLCM. Mr Quek Leng Chan is deemed to have material interests in the above transactions as a deemed controlling shareholder of HLCM.

- (2) The Group regularly conducts investment, insurance, stockbroking and other activities in the ordinary course of business and on normal commercial terms with subsidiaries of, and companies related to, HLCM. Mr Quek Leng Chan is deemed to have material interests in such transactions as a deemed controlling shareholder of HLCM.

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors of HLCM, a substantial shareholder of the Company, which is one of the largest conglomerates based in Malaysia and is engaged in a diverse range of business, including financial services, manufacturing and property investment and development.

Mr Tan Lim Heng is a non-executive director and a shareholder of Shanghai Land Holdings Limited, a former associated company of the Company, which is engaged in property investment and development in the PRC.

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

## PROPERTIES

Particulars of the major development properties and investment properties of the Group are shown on pages 91 to 92.

## PRE-EMPTIVE RIGHTS

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

## INVESTOR RELATIONS

The Company encourages two-way communication with both its institutional and private investors. Extensive information about the Company's activities is provided in the Annual Report and the Interim Report which are sent to shareholders. There are regular dialogues with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcome and are dealt with in an informative and timely manner.

In order to promote effective communication, the Company maintains its website on which financial and other information relating to the Group and its business are disclosed.

## 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, 15 September 2004