CORPORATE EVENTS

a. ***Disposal of Dao Heng Insurance Co., Limited ("DHI") to Hong Leong Assurance Berhad ("HLAB")***

The Group entered into a conditional sale and purchase agreement with HLAB on 11 January 2005 for the disposal of its entire interest in DHI at a cash consideration of approximately HK$152.6 million, representing 1.2 times of the adjusted net tangible assets value of DHI as at 30 June 2004, after deducting HK$40 million of dividends paid or payable to the Group. HLAB is a wholly-owned subsidiary of Hong Leong Credit Berhad. The Group realised a net profit of approximately HK$8.8 million upon completion of the transaction.

b. ***Acquisition of 40.0% interest in Camerlin Group Berhad ("CGB") and mandatory general offer on the remaining securities of CGB held by public***

On 12 January 2005, the Group entered into a securities sale agreement with Hong Leong Industries Berhad and its subsidiary, GuocoLand Limited and Hong Leong Computer Services Sdn Bhd for the acquisitions of approximately 40.0% of the total issued share capital in CGB and approximately 72.3% of the outstanding nominal value of irredeemable convertible unsecured loan stocks ("ICULS") of CGB at a total consideration of approximately RM236.6 million (approximately HK$485.5 million). The consideration is calculated based on RM1.20 per CGB share and RM1.04 per CGB ICULS.

The acquisitions enabled the Group to acquire substantial interests in CGB and to become the single largest shareholder of CGB. Pursuant to The Malaysian Code of Take-overs and Mergers, the Group undertook a mandatory general offer to acquire the remaining shares, outstanding ICULS and warrants of CGB not held by the Group at the respective prices of RM1.20 per share, RM1.04 per ICULS and RM0.01 per warrant, upon completion of the acquisitions. As at 30 June 2005, the Group owned approximately 61.4% shareholding in CGB.

c. ***Mandatory general offer ("MGO") for BIL International Limited ("BIL")***

On 13 July 2005, the Group acquired approximately 10.1% of the issued share capital of BIL at S$1.20 per share for a total consideration of approximately S$166.2 million. Since the Group already owned directly and indirectly about 29.5% of BIL before this acquisition, the Group was required under the Singapore Code on Takeovers and Mergers to make a conditional MGO for BIL. The MGO period was extended to close on 30 September 2005.

The Group further acquired 4.1% shareholding in BIL through market purchases to attain a total interest of 43.7% in BIL up to 15 September 2005.

TREASURY AND INVESTMENT ACTIVITIES

The Board Investment Committee has been mandated by the Board to oversee and direct the Group's investment process and to review regularly its risk related policies and controls. Investment policies and parameters are in place to govern core investment, time deposits, money market instruments, fixed income, equities and financial instruments. The Group also adopted stringent concentration risk control guidelines to limit country risk, counterparty, currency and duration. Regular audits performed by the internal audit department further ensure compliance with these policies, procedures and regulatory requirements.

The global economy and equity markets remained robust throughout the year despite the headwinds of high oil prices and continued rate hikes in the US. The strength in financial markets together with fundamental research by our investment teams enabled the Group to generate attractive returns during the year.

The investment teams focused on relevant macro factors to determine our asset allocation methodology across asset classes as well as the geographical spread. During the year, the Group continued to concentrate on regional markets such as Australia, Hong Kong, China and Singapore, with exposures in the United Kingdom and the United States also increased. Our activities in the Japan market were minimal and this proved to be a right decision as the market was marginally down during the year. At the stock-level, the investment teams maintained its value approach with a strong emphasis on high dividend stocks. Besides generating attractive capital gains, these stocks produced substantial recurrent dividend income of approximately HK$259 million during the year.

In order to meet the investment challenges presented by markets, the Group is committed to deploy more resources to the investment teams on an on-going basis. During the year, additional experienced portfolio managers and supporting staff were employed to provide more extensive and in-depth market coverage. Proprietary investment models were refined and developed to provide enhanced in-sights and research capabilities. The Group is also in the process of introducing a new portfolio management system. Upon full installation, this system will provide more sophisticated reporting and control functions to our investment and treasury activities.

The Group's treasury and investment management sector contributed approximately HK$2,329 million to the operating profit before finance cost for the year. This creditable result demonstrated the success of our treasury and investment teams' abilities as well as the effectiveness of our enhanced investment infrastructure. The major contributions to the operating profit arose from the following:

— total interest income of about HK$531 million;
— total foreign exchange gain (mainly from foreign currency deposits) of about HK$382 million;
— total realised and unrealised gains on investments of about HK$1,310 million; and
— dividend income of about HK$259 million.

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

On 22 July 2005, the Group completed the sale of the GC Interests to a wholly-owned subsidiary of K. Wah Construction Materials Limited ("KWCM") in consideration of 325,615,622 new KWCM shares ("Consideration Shares") issued at HK$8.0 per share (representing about 9.9% of the enlarged issued share capital of KWCM), cash of HK$565.5 million and fixed rate notes ("FRNs") of HK$85.8 million. The Consideration Shares and the FRNs have replaced the GC Interests and will continue to be subject to the call options and the put options pursuant to the Option Deeds. The Group expects to receive from this financial investment a maximum net return of about HK$403 million, which includes a possible bonus based on a pre-determined formula with a profit sharing arrangement.

GUOCOLAND LIMITED ("GLL") — 62.4% OWNED BY THE GROUP

For the financial year ended 30 June 2005, the GLL Group reported a net profit of S$76.0 million compared to S$120.0 million in the previous year. The net profit in the previous year included a non-recurring profit of S$70.4 million from the disposal of the GLL Group's investment in Benchmark Group Plc ("Benchmark"). The GLL Group's net asset value per ordinary share increased from S$1.44 as at 30 June 2004 to S$1.67 as at 30 June 2005.

The GLL Group's revenue and cost of sales increased by 39.8% and 35.2% to S$419.5 million and S$345.9 million respectively for the financial year ended 30 June 2005. The increase was mainly due to higher revenue and cost of sales recognised from its residential project in Central Park, Shanghai partially offset by lower revenue and cost of sales of its property development projects in Singapore. The GLL Group's gross profit for the financial year increased by 66.5% to S$73.6 million.

Other operating income of S$46.5 million for the financial year ended 30 June 2005 was mainly due to mark-to-market gains on financial assets whereas in the previous year, other operating income of S$82.8 million was primarily due to the profit from the disposal of Benchmark.

The GLL Group's finance costs increased by 103.5% to S$13.5 million as the finance costs for certain property development projects which were previously capitalised as part of development projects are now charged to the profit and loss account after these projects obtained temporary occupation permits.

The GLL Group's associates contributed a profit before tax of S$9.8 million, a decrease of 57.5% over the previous year. As the profit contribution from Benchmark had ceased from June 2004, this had resulted in a lower profit contribution from the GLL Group's associates for the financial year ended 30 June 2005. This decrease was partially offset by higher profit contribution from the GLL Group's 40% associates, Razgrad Pte Ltd, which owns The Ladyhill and Crawforn Pte Ltd, which owns The Boulevard Residence.

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

In Singapore, the package of property measures announced by the Singapore Government in July 2005 is positive for the residential sector. These measures which include a relaxation in financing rules and rules on foreign ownership of private residential properties, are expected to improve demand for private properties. In addition, with Singapore's economic growth now forecasted to be higher at 3.5% to 4.5% for 2005, it is expected that the operating environment in Singapore will improve and the GLL Group will position itself to capitalise on an expected growth in demand. Launches in the pipeline in 2005 include the freehold Paterson Residence (a 110-unit development), The View @ Meyer (a freehold 45-unit development) and a 160-unit development on a freehold site at West Coast Road.

The GLL Group had submitted a concept proposal to bid for the Integrated Resort at Marina Bayfront in Singapore and is shortlisted to participate in the final tender which is expected to be launched in the third quarter of 2005.

In Shanghai, the GLL Group received an overwhelming response for its 262-unit residential project, Central Park, achieving total sales of 99% while Corporate Square in Beijing is 73% sold. In Beijing, the launch of West End Point, a residential development within the Second Ring Road in Feng Sheng, Xicheng District is in the pipeline upon completion of resettlement. In July 2005, the GLL Group acquired a site of approximately 296,002 square metres which is situated opposite the scenic Purple Mountains in Xuanwu district, in the eastern part of Nanjing City. This site can be developed into a resort style development with low to mid-rise apartments, retail outlets and recreational facilities.

In China, the economy grew at 9.5% in the first half of 2005. The recent move to float the yuan to a basket of currencies and the government's continuing measures to stabilise the property market are positive for the further development of China's economy. The GLL Group expects the economic growth and the demand for residential properties in China to remain sustainable in the medium and long run. Besides Shanghai and Beijing, the GLL Group's recent acquisition of a sizeable residential site in the Xuanwu district of Nanjing City, marks the GLL Group's entry into another major city in China.

In Malaysia, the GLL Group has increased its interest in GuocoLand (Malaysia) Berhad ("GLM") to 44.1%. With the recent positive changes in the guidelines in Malaysia for the operation of Real Estate Investment Trusts ("REIT"), GLM announced recently that it will be setting up a REIT with the investment objectives of acquiring and investing in a portfolio of quality yield-accretive commercial real estate which will provide a stable income and medium to long-term capital appreciation to unitholders as well as provide stable recurring management income to GLM. Subject to approvals of the relevant authorities, units in GLM REIT are proposed to be listed on the Main Board of Bursa Malaysia Securities Berhad.

The depegging of the ringgit to the US dollar and an upbeat economic growth outlook are positive developments in Malaysia, which is also a core property market for the GLL Group, through its interest in GLM.

HONG LEONG CREDIT BERHAD ("HLCB") — 25.7% OWNED BY THE GROUP

The HLCB Group recorded a higher pre-tax profit of RM808.2 million as compared to RM719.0 million in the previous year, an increase of 12.4%. This is mainly due to higher profit from the banking division as reported below and savings in finance costs of RM8.2 million.

At the operating level, the profit after tax and minority interest amounted to RM375.2 million, representing an increase of 31.5% from RM285.3 million of the previous year, which was before including the gain of RM103.2 million on deemed disposal of shares in Hong Leong Bank Berhad by HLCB as a result of a special issue of shares to Bumiputra investors last year.

The banking division recorded a pre-tax profit of RM722.2 million, an increase of 36.6% or RM193.5 million as compared to RM528.7 million in the previous year. Total income increased by RM69.7 million, mainly from non-interest income. Loan loss provision declined by RM201.3 million due to the absence of lumpy specific provisions made in the previous year.

The insurance division registered a profit before tax of RM95.5 million for the financial year ended 30 June 2005 compared to a profit before tax of RM124.1 million for the previous year, a decrease of 23.0%. This was principally due to lower investment income as well as the lower underwriting profit. Investment income decreased against last year when a large portion of equity holdings was disposed of while taking advantage of the positive sentiments in the Malaysia Stock Exchange.

The stockbroking division registered a profit before taxation of RM16.9 million compared to a profit before tax of RM30.7 million in the previous financial year, a decrease of 45.0%. The lower profit before tax for the current financial year was due to less favourable stock market conditions.

CAMERLIN GROUP BERHAD ("CGB") — 61.6% OWNED BY THE GROUP

CGB recorded a profit before tax of RM34.9 million for the six months period ended 30 June 2005 as compared with that of RM38.1 million for the corresponding period last year. The decrease in profit before tax is due to lower profit contribution from its 22.3% owned associate, BIL International Limited ("BIL"), which is CGB's only investment. The better results achieved by BIL in the preceding year's corresponding period were primarily due to the exceptional gain resulting from disposal of investments and unrealised foreign exchange gains.

BIL is an international investment company with a global portfolio of investments. BIL's current key investments are in (i) Thistle Hotels, a hotel chain in the United Kingdom; (ii) development properties on the island of Molokai in Hawaii; (iii) development properties in Denarau, Fiji; and (iv) a share in the 2.5% royalty on the gross value of all hydrocarbons, liquid or gas produced and recovered in designated areas within Australia's Bass Strait.

FINANCIAL COMMENTARY

Turnover

Overall turnover increased by HK$2,828 million or 23.6%, mainly attributable to the increase of 19.3% or HK$1,928 million in income from treasury and investment management.

Treasury and investment management sector accounted for approximately 86.1% of the contribution from operations.

Borrowings

By 30 June 2005, the Group had reduced its total borrowings by 13.9% to HK$3,830 million from HK$4,446 million as at 30 June 2004. Unsecured borrowing comprises 45.1% of total borrowings. The borrowings primarily represented GLL's property project loans.

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

	Bank loans	**Other borrowings**	**Total**
	HK$'000	HK$'000	HK$'000
On demand or within 1 year	1,058,927	92,262	1,151,189
After 1 year but within 2 years	728,050	612,480	1,340,530
After 2 years but within 5 years	784,350	553,654	1,338,004
	1,512,400	1,166,134	2,678,534
	2,571,327	1,258,396	3,829,723

The loans were secured by the following:

— legal mortgages on investment properties with a book value of HK$575 million;

— legal mortgages on development properties with a book value of HK$3,449 million; and

— certain equity investments with total carrying value of HK$382 million.

As at 30 June 2005, the Group had net cash balance of HK$19,740 million after netting off the total borrowings of HK$3,830 million.

Contingent Liabilities

As at 30 June 2005, neither the Group nor the Company had any contingent liabilities.

Capital and Finance

The Group's consolidated shareholders' funds as at 30 June 2005 after adjusting for the major items set out below, amounted to HK$32,611 million. The major adjustments are as follows:

— share repurchased and cancelled by a subsidiary of HK$27 million;

— share of subsidiaries' and associates' capital reserves movement of HK$45 million;

— net exchange difference of HK$75 million; and

— purchase of own shares for the Share Option Plan of HK$79 million.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 280 employees as at 30 June 2005. 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 may also be granted in accordance with the approved share option scheme or plan adopted by the Company to eligible employees to reward their contribution and foster loyalty towards the Group.