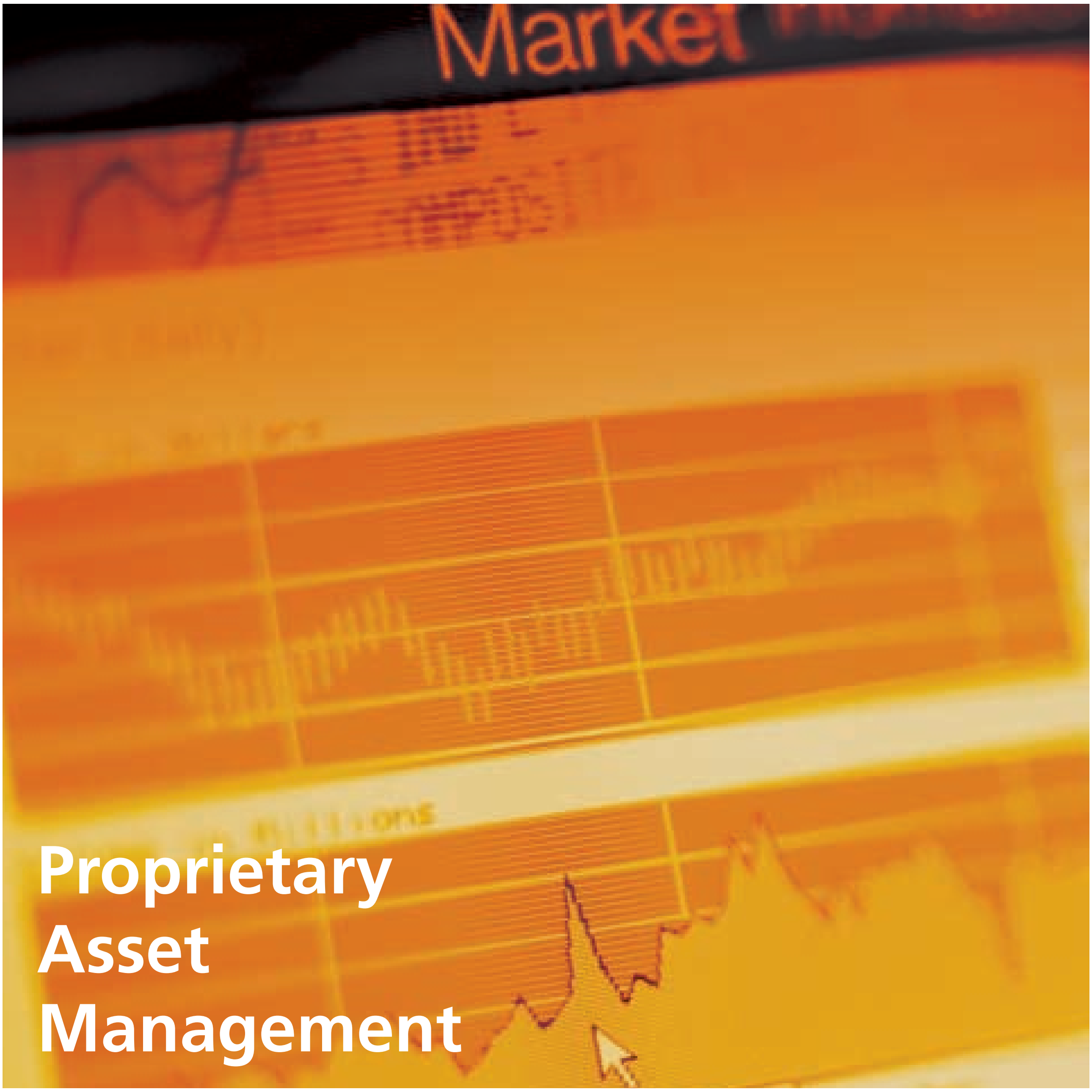


Proprietary Asset Management

Financial Results

The consolidated profit attributable to shareholders for the year ended 30 June 2006, after taxation and minority interests amounted to HK$5,637 million, representing an increase of 74.6% over that of last year. Earnings per share rose 75.4% to HK$17.22.

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

– total realised and unrealised gains on investments of HK$4,038 million;

– total interest income of HK$796 million;

– dividend income of HK$252 million;

– property development and investment income of HK$182 million;

– revaluation gains on properties of HK$304 million; and

– contributions from associates and jointly controlled entity of HK$689 million.

Overall turnover increased by HK$29.1 billion or 197% to HK$44.0 billion, mainly attributable to the increase of HK$28.0 billion in turnover from Proprietary Asset Management and the first-time consolidation of turnover for hotel operations of HK$1.9 billion since the acquisition of BIL in October 2005.

Proprietary Asset Management

Global financial markets recorded another year of solid performance, underpinned by continued economic and earnings growth. While interest rates were on the rise, the pace was gradual and liquidity remained abundant. Taking advantage of this favourable environment, our investment teams actively pursued investment activities in selected equity markets. We were particularly attracted by the economic recovery and corporate restructuring opportunities in Japan after its multi-year downturn. A decision was then taken to invest in this market which had proven to be rewarding. While we remained a believer in the long-term potential of this market, we realised profits from most of our positions to benefit from their stellar performance amidst rising market uncertainty from the likelihood of rising interest rate later in the year. This turned out to be a timely move as Nikkei index recorded a double digits correction as at our financial year end from its recent peak in April 2006.

Besides Japan, our investment teams were also active in other major markets. To capture the growth potential in China, we invested in a number of listed PRC companies. Within ASEAN, our investment teams concentrated on stock picking using our expertise and in-depth knowledge in this region. In the US and Europe, our focus was mainly in stocks that were trading at attractive valuations.

In supporting our expanding activities, more resources have been added including manpower for treasury and equity management. The development of our new management information system is making good progress and has been partially rolled out in phases. Its full implementation in coming months will provide further support to our investment activities via enhanced reporting in a more timely and efficient manner.

Macroeconomic conditions have become more uncertain. Rising oil prices, geopolitical tensions as well as continued rate hikes will together pose many challenges to the financial markets. We have responded by taking a more defensive stance in our portfolio and accordingly we have revised downwards our exposure to equity markets.

Central Park, Shanghai

The Stellar, Singapore

Property Development and Investment

GuocoLand Limited ("GLL") – 63.9% controlled by Guoco

For the financial year ended 30 June 2006, the GLL Group reported a net profit of S$155.6 million compared to S$82.7 million in the previous corresponding year. The GLL Group's net asset value per ordinary share increased from S$1.67 as at 30 June 2005 to S$1.83 as at 30 June 2006.

The GLL Group's revenue decreased by 14% to S$361.3 million for the financial year ended 30 June 2006. The decrease was mainly due to lower revenue from Central Park in Shanghai as a significant portion had already been recognised in the previous year. This decrease in revenue was partially offset by the revenue recognised from the sale of property development projects in Singapore and from the sale of the remaining area in Corporate Square in Beijing. For the financial year ended 30 June 2006, 65% of the revenue was from Singapore and the balance from China.

The GLL Group's cost of sales decreased by 8% to S$318.8 million for the financial year ended 30 June 2006. The decrease was mainly due to lower cost of sales from Central Park in Shanghai and a writeback of provision for foreseeable losses on the GLL Group's residential projects in Singapore, in particular from Paterson Residence, and from Corporate Square. This decrease in cost of sales was partially offset by the cost of sales recognised from the sale of property development projects in Singapore and from Corporate Square. The GLL Group's gross profit decreased by 42% to S$42.6 million as a significant portion of Central Park's profit had already been recognised in the previous year.

Other operating income increased from S$46.5 million to S$146.9 million mainly due to the profit of S$40.1 million arising from the sale of the GLL Group's long-term investment in Hotel Properties Limited, a total gain of S$32.0 million arising from the revaluation of the GLL Group's investment properties and negative goodwill of S$32.0 million arising from the acquisition of additional interest in GuocoLand Malaysia Berhad ("GLM").

Finance costs increased by 70% to S$22.8 million due to increase in bank borrowings to finance the GLL Group's land acquisitions in China during the financial year.

The contribution from the GLL Group's associates to profit after tax decreased by 13% to S$13.6 million due to lower profit contribution from GLM which became a subsidiary during the financial year, but 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 ten launched developments on the market in Singapore: Sanctuary Green, The Gardens at Bishan, Bishan Point, Le Crescendo, Leonie Studio, Paterson Residence, The Stellar, The Quartz, The Ladyhill and The Boulevard Residence.

In April 2006, the GLL Group entered into a conditional collective sale and purchase agreement to acquire the freehold Casa Rosita condominium at the Newton/Scotts area with the intention of redeveloping the site. This acquisition will upon completion, add a saleable area of approximately 46,000 square metres (494,000 square feet) to the GLL Group's existing landbank.

In June 2006, the GLL Group entered into a sale and purchase agreement to sell its investment property, Robinson Centre for a consideration of S$145.0 million. The sale has resulted in a revaluation gain of S$17.0 million for the financial year. The sale was completed on 31 July 2006. On completion, there will be no further gain recognised in the financial year ending 30 June 2007 as the investment property was valued at the net selling price on 30 June 2006.

In Beijing, the GLL Group sold the remaining area in Corporate Square for a consideration of approximately US$48.6 million (S$79.8 million) during the financial year. In July 2006, the GLL Group soft launched West End Point, an 814-unit development located within the Second Ring Road in Feng Sheng, Xicheng District in Beijing upon obtaining the sale permits.

Resettlement in three development sites in the Xuanwu District of Nanjing, in the Putuo District of Shanghai and in the Qixia District of Nanjing is currently in progress. The GLL Group's landbank in China, in terms of saleable area, is approximately 978,000 square metres (10.5 million square feet).

West End Point, Beijing

In December 2005, the GLL Group entered into a conditional agreement with Vietnam Singapore Industrial Park JV Co. Ltd. to acquire a land parcel of approximately 174,935 square metres forming part of the Vietnam Singapore Industrial Park in Binh Duong Province. This site can be developed into an integrated residential, office, commercial cum hotel development.

In April 2006, the GLL Group launched a successful mandatory general offer on GLM at RM0.78 per share. Together with market purchases, the GLL Group's shareholding in GLM has increased to 64.5% as at 24 August 2006. GLM is now a subsidiary of the GLL Group.

In view of the strong economic growth of 9.4% for Singapore in the first half of 2006, the official GDP growth forecast for 2006 for Singapore has been revised upwards from its previous forecast of between 5% to 7% to between 6.5% to 7.5%. The latest official statistics indicate that the residential property market is recovering with prices of private residential properties posting a 1.8% gain in the second quarter of 2006, compared with the 1.5% increase in the previous quarter. Strong economic growth and the positive sentiment for the residential property market should translate into stable demand for private homes. The GLL Group intends to launch The View @ Meyer, a 45-unit development, in the second half of 2006.

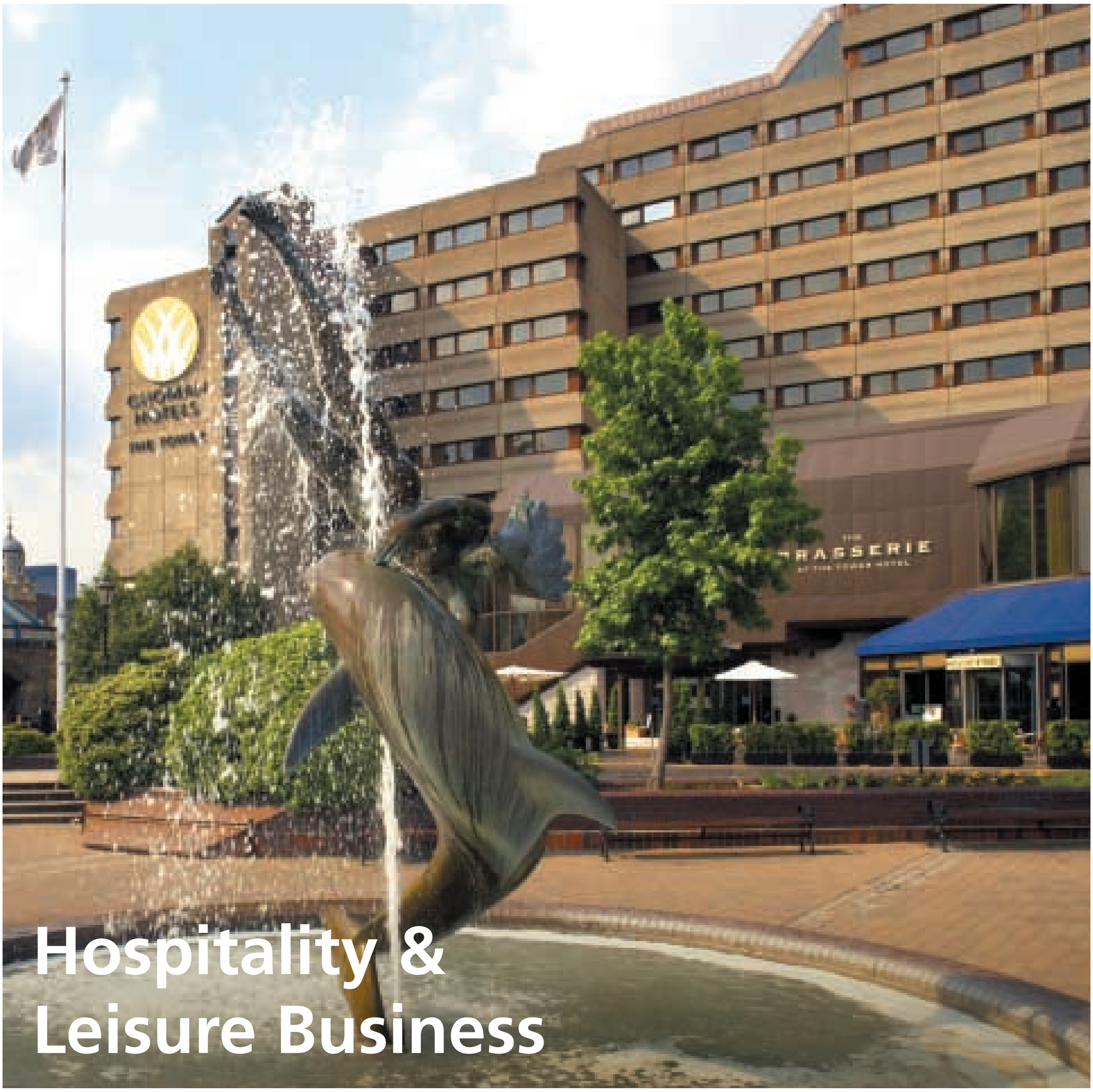
In China, new regulations on the restriction of foreign investment in real estate were recently introduced as part of the government's overall measures to cool the fast-growing economy. Despite these new measures, the GLL Group is of the view that domestic demand for quality residential housing in China will remain satisfactory because of China's strong economic growth and rapid urbanisation. The GLL Group has focused and positioned its development properties to meet domestic demand with its landbank in key cities of Beijing, Shanghai and Nanjing.

In Malaysia, the economy is expected to expand 6% in 2006, compared to 5.2% in the previous year. The huge expenditure under the 9th Malaysian Plan to revitalise private sector investment and build infrastructure projects, coupled with a young demographic profile will help to sustain demand for quality residential housing in the short and medium term. The GLL Group stands to benefit from this demand through its 64.5% shareholding in GLM.

Nanjing

Left:
Hillview Regency, Gujiaying

Right:
Ascott Park, Maqun



Hospitality & Leisure Business

The Tower – a Guoman Hotel

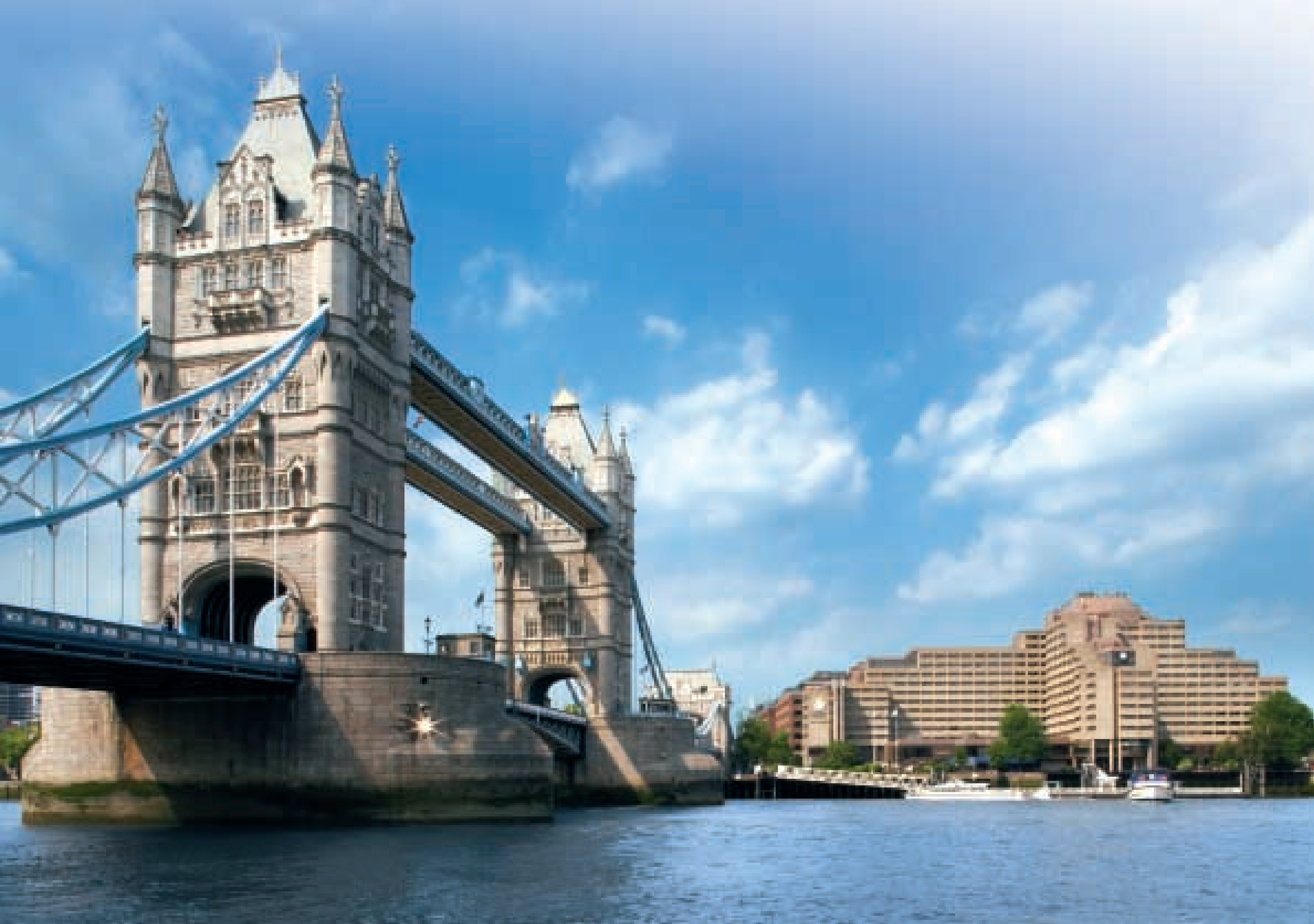
Hospitality and Leisure Business

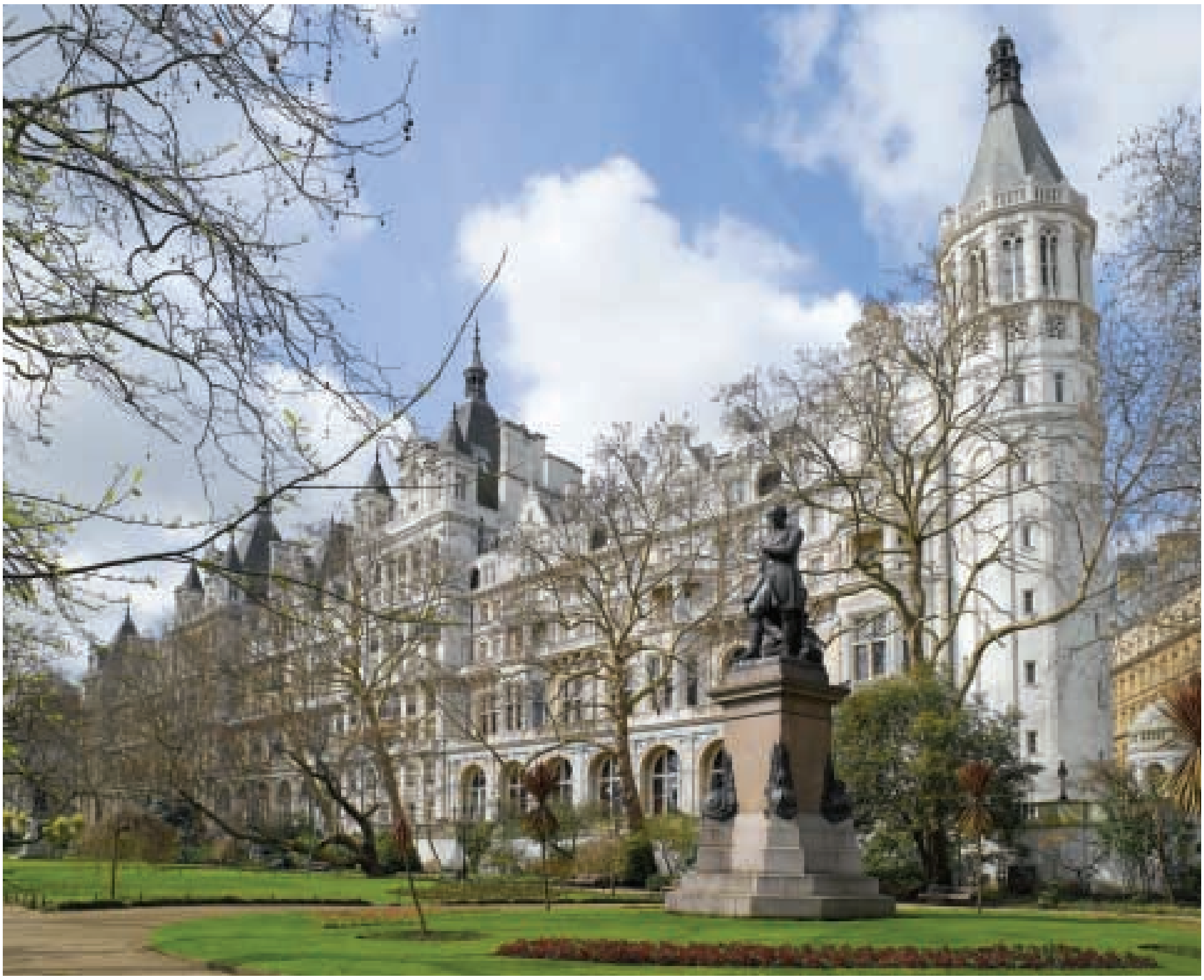
BIL International Limited ("BIL") – 50.9% controlled by Guoco

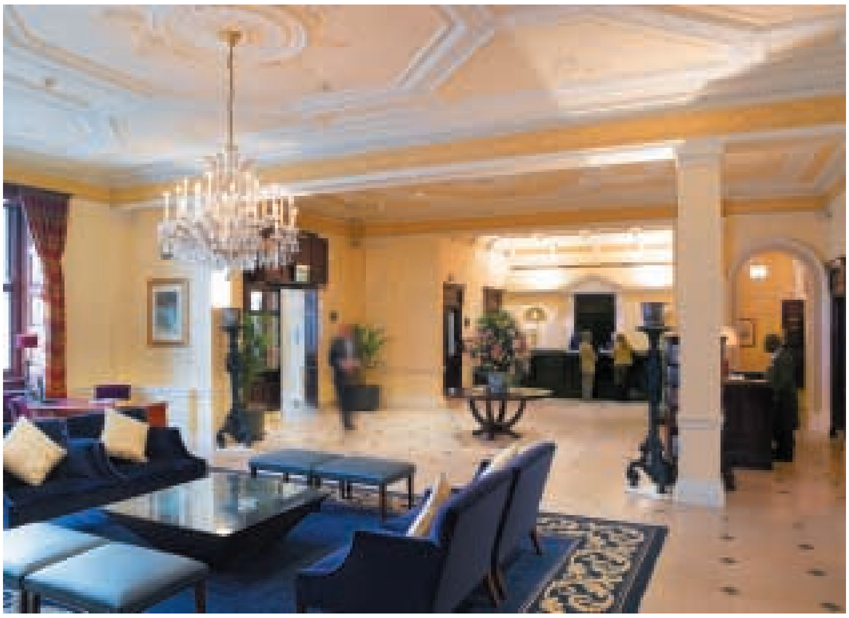
The Group's conditional mandatory general offer on BIL was successful, resulting in the acquisition of a controlling interest in BIL. The Group consolidated the results of BIL from the date of its acquisition in October 2005.

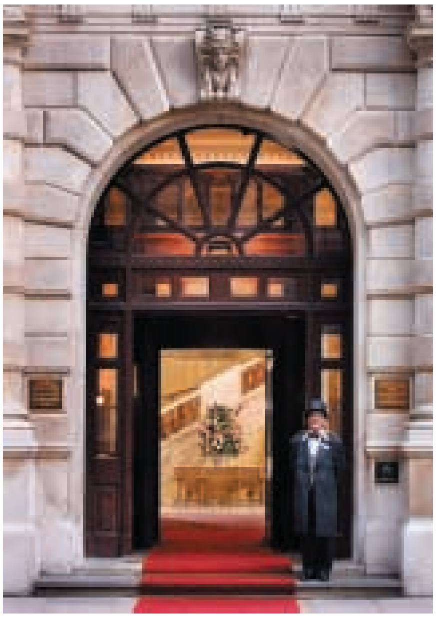
BIL recorded a profit of US$38.9 million for the full year ended 30 June 2006 compared to a profit of US$86.9 million for the previous year. It is difficult to compare the profitability year on year as both years contained a number of one-off events that had skewed profitability. Included in the last year's results was a profit of US$52.7 million from the sale and leaseback of 6 Thistle hotels in April 2005.

The Tower – a Guoman Hotel by the side of Tower Bridge, London









The Royal Horseguards

The net profit for the year ended 30 June 2006 included the release of tax provisions of US$56.5 million. On the other hand, the operating results for the Thistle Hotel Group had been affected by the London bombings in July 2005, higher operating costs due to higher energy costs and distribution costs as well as continued internal restructuring.

During the financial year a number of major projects in Fiji had commenced. However, revenue for the property development segment had declined for the year under review due to the timing of project settlements.

The oil and gas segment showed improvement year on year due to oil price and foreign exchange movements.

In February 2006, the Gambling Commission of Great Britain ("Gambling Commission") approved BIL Gaming Operations UK Ltd ("BIL Gaming"), a wholly-owned subsidiary of BIL, to be a licensed operator of casinos under The Gaming Act 1968. Additionally, the Gambling Commission has granted Certificates of Consent ("COC") for 16 specific casino license applications. These applications are now going through planning approvals and licensing with the local magistrates. In April 2006, a further 14 COCs applications were made.

On 25 August 2006, BIL announced that it had signed a sale and purchase agreement for the acquisition of the Clermont Club casino business in London from Rank Group Plc for an all cash consideration of £31 million. Along with Clermont, BIL intends to expand progressively its casino operations in United Kingdom.

Camerlin Group Berhad ("CGB") – 69.1% controlled by Guoco

CGB recorded a pre-tax profit of RM45.31 million for the financial period from 1 January 2005 to 30 June 2006. The profit was mainly due to its share of profits of RM47.88 million from BIL International Limited ("BIL"), of which CGB holds 22.3% interests.

Left: Denarau Island Resort, Fiji

Right: Molokai Ranch

Financial Services

Financial Services

Hong Leong Financial Group Berhad ("HLFG", formerly known as Hong Leong Credit Berhad) – 25.7% owned by Guoco

The HLFG Group achieved profit before tax of RM859.3 million for the year ended 30 June 2006 as compared to RM800.7 million in the previous year, an increase of RM58.6 million or 7.3%. This was mainly due to higher profits from the banking division and the stockbroking and asset management division.

The banking division recorded a profit before tax of RM764.2 million, an increase of RM50.8 million as compared to RM713.4 million in the previous financial year. Net interest income grew by RM40.1 million, while income from Islamic operations and non-interest income also grew by RM15.6 million and RM119.7 million respectively. However, loan loss provision increased by RM83.0 million due to higher specific provision made during the year.

The insurance division registered a profit before tax of RM91.9 million for the financial year ended 30 June 2006 as compared to RM96.8 million for the previous financial year. The decrease of RM4.9 million was mainly contributed by lower underwriting profit as a result of higher claims incurred during the financial year.

The stockbroking and asset management division registered a profit before tax of RM27.8 million compared to RM16.9 million in the previous financial year, an increase of RM10.9 million. The higher profit before tax for the current financial year was mainly attributable to the profit from the disposal of shares of Bursa Malaysia Berhad which resulted in a realised gain of RM7.9 million.

Financial Commentary

Capital and Finance

– The Group's consolidated total equity (including minority interests) as at 30 June 2006 amounted to HK$44.4 billion, an increase of 26% comparing to the total equity as at 30 June 2005.

– The Group's consolidated total equity attributable to shareholders of the Company as at 30 June 2006 amounted to HK$36.9 billion, an increase of HK$4.3 billion comparing to the figure as at 30 June 2005.

Total Cash and Liquid Funds

As at 30 June 2006, the Group has net liquid funds of HK$20.9 billion, comprising total cash balance of HK$26.6 billion and marketable securities of HK$4.0 billion and after netting off the total borrowings of HK$9.7 billion.

Total Borrowings

The increase in total borrowings from HK$3.8 billion as at 30 June 2005 was primarily due to consolidating the borrowings of BIL. The Group's total borrowings are mainly denominated in Singapore dollar (41%), British Pound (40%) and US dollar (16%).

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

	Bank loans *HK$'M*	**Mortgage debenture stock** *HK$'M*	**Other borrowings** *HK$'M*	**Total** *HK$'M*
On demand or within 1 year	1,123	–	809	1,932
After 1 year but within 2 years	454	–	11	465
After 2 years but within 5 years	2,450	–	1,003	3,453
After 5 years	16	3,868	–	3,884
	2,920	3,868	1,014	7,802
	4,043	3,868	1,823	9,734

The loans are secured by the following:

- legal mortgages on investment properties with an aggregate book value of HK$226 million;
- legal mortgages on development properties with an aggregate book value of HK$2,855 million;
- legal mortgages on property, plant and equipment with an aggregate book value of HK$7,491 million; and
- legal mortgages on assets held for sale with aggregate carrying value of HK$685 million.

Committed borrowing facilities available to Group companies and not yet drawn as at 30 June 2006 amounted to approximately HK$2,231 million.

Interest Rate Exposure

As at 30 June 2006, approximately 42% of the Group's borrowings were at floating rates and the remaining 58% were at fixed rates. 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. When considered appropriate, the Group may use interest rate swap contracts to manage the interest rate exposure.

Foreign Currency Exposure

The Group may, from time to time, enter into foreign exchange rate related contracts for the purpose of hedging the foreign currency exposures. The Group may also raise foreign currency loans to hedge our foreign currency investments.

Contingent Liabilities

A subsidiary of the Group, BIL, had contingent liabilities of approximately HK$69 million (2005: Nil) in relation to the guarantees of investment performance. In addition, BIL has given a guarantee to the owner of the 28 hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of the business will not be less than HK$465 million (2005: Nil) per calendar year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability on any one year under the guarantee was HK$465 million (2005: Nil) and the maximum aggregate liability under the guarantee was approximately HK$931 million (2005: Nil). BIL's expectation is that the future annual EBITDA will be in excess of the guaranteed amount.

Human Resources and Training

With the acquisitions of BIL and GLM groups during the year, the total number of employees of the Group, including its subsidiaries in Hong Kong and overseas, increased substantially to approximately 2,700 as at 30 June 2006. 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 schemes or plans adopted by the Company and its subsidiaries to eligible employees to reward their contribution and foster loyalty towards the Group.