

I am pleased to report improved results achieved in the challenging circumstances in the year to June 2004. During the period we saw the US-Iraq war with the hostilities that followed and the revival of positive sentiment in Asia after the debilitating effects of SARS and a return to stronger-than-expected global growth. Asian markets were prime beneficiaries and witnessed major fund flows into the region. However, optimism began to fade in the last few months on the prospect of rising U.S. interest rates. Market confidence also declined due to continued geo-political tensions in the Middle East, high oil prices, fear of an excessive slowdown in Japan and a possible economic hard landing in the PRC. All markets gave back some of the earlier gains.

The investment discipline and risk processes which we had implemented permitted the Group to make progress during this rather turbulent period. Encouraged by the favourable conditions at the beginning of the financial year, the Group invested in portfolio and strategic investment opportunities. This was reflected in the substantial improvement in the contribution from treasury, fund and investment management activities of the Group as compared with the previous year.

FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$2,440 million, representing an increase of 99% over that of last year. Earnings per share rose 98% to HK\$7.43.

The Board of Directors will recommend the payment of a final dividend of HK\$2.60 per share at the forthcoming Annual General Meeting. This together with the interim dividend of HK\$0.40 per share paid during the year makes a total dividend of HK\$3.00 per share. Total dividend for the year amounted to HK\$987 million, representing a substantial increase of 174% as compared with the previous year.

STREAMLINING AND RESTRUCTURING INITIATIVES

A core objective of the Company is to create sustainable Prime Value through active enhancement of its operating entities. We define Prime Value as the creation of capital value appreciation as a result of enhancement of intrinsic value in our underlying investments. In pursuit of this objective, the Group continued to streamline and restructure its corporate organisations and operations to optimize resources, and where appropriate, divest non-core assets. During the year, GuocoLand Limited ("GLL") has rationalized and consolidated the Group's property and property-related activities and Hong Leong Credit Berhad ("HLCB") has transformed itself into a financial group.

During July 2003, HLCB completed its capital distribution of its 45% interests in Hong Leong Properties Berhad ("HLPB"). The residual HLPB shares held after the demerger exercise were disposed of in August 2003. The exercise enabled HLCB to transform itself into a financial group and at the same time provided an opportunity for the HLCB shareholders to participate directly in HLPB's equity while preserving the intrinsic value of HLCB.

STREAMLINING AND RESTRUCTURING INITIATIVES (Cont'd)

Additional strategic initiatives were undertaken during the year to develop further GLL as the Group's property arm. The Company consolidated its 28.3% interests in HLPB into GLL in consideration of new shares issued by GLL. The acquisition of a substantial interest in HLPB established Malaysia as a new property centre for GLL. This contributes to GLL's transformation into a regional property company with embedded market teams in major property centres, namely Singapore, China and Malaysia.

GLL accepted a cash offer from GE Capital Group to dispose of its 34.5% interest and GBP12.5 million Irredeemable Convertible Unsecured Loan Stock in its London listed associated company, Benchmark Group PLC ("Benchmark"). Considering the UK property cycle, GLL crystallized its Benchmark investment and realised a net profit of approximately S\$70.44 million in the financial year ended 30 June 2004.

The Group divested its entire interest in Dao Heng Fund Management Limited ("DHFM") but retained its core investment team. DHFM was sold at a multiple in excess of 8 times book value while its key investment team was retained to contribute to the Group's future growth.

TREASURY AND INVESTMENT ACTIVITIES

The Company's vision is to achieve superior, long-term sustainable shareholders return by investing in global capital markets and in core businesses and industries with an Asian focus where our management knowledge and competencies can create Prime Value. Management's mission is to create an efficient investment organization to achieve this vision. We recognize that market conditions may also require shorter term portfolio investments to enhance the treasury returns on the Group's investable funds.

Financial markets in the last twelve months were characterized by double-digit gains in most equity markets and substantial strengthening of non-US dollar currencies. To sustain the Group's Mission and to create Prime Value for shareholders, additional resources are being allocated to strengthen our investment infrastructure and to continue to evolve a synergistic investment process. This will enhance the competence of our investment teams and refine our risk management infrastructure to cater for development and expansion of our treasury and investment activities.

CORPORATE GOVERNANCE

The upholding of high standards of corporate governance is continuously instilled in our corporate culture where Financial Management Excellence and Investment Management Discipline are periodically reviewed and assiduously pursued. We have in place processes and structures by which the business and affairs of the Company are managed to increase long-term shareholders' value through enhancing corporate performance and accountability. Continuous efforts are also made to reinforce the Group's various controls and procedures in light of regulatory requirements and international developments to instill best practices and to protect the interest of all shareholders and the reputation of the Company.

OUTLOOK

While the current macro environment appears to be supported by global growth, the outlook is less certain given the prospect of rising interest rates and other challenges facing the US and the global markets. Further, a slow down in the China and Japan economies and persistent high oil prices continue to contribute to the world's economic vulnerability to major financial imbalances and uncertainties. The US has for quite some time shouldered the responsibility as the main driver of the global economy. China is now emerging as another global growth engine with increasing influence on the rest of the world. Our Group is well positioned to respond swiftly to any break in recovery. We will remain vigilant for investment opportunities that meet our exacting standards. The Company has been transformed over time. Effective management of its substantial cash and near-cash assets has become the Board's biggest challenge. The investment income which is based on marking investment assets to market in line with accounting standards may not always be predictable. Nevertheless, the Board will always try to achieve optimum returns for its shareholders.

APPRECIATION

During the financial year, Kuwait Investment Office ("KIO") sold its investment in the Company and accordingly its two representatives on the Board, Messrs Peter Wakefield and Jamal Al-Babtain, resigned from the Board. I wish to take this opportunity to record our appreciation to KIO and their representatives for their valuable contributions and support to the Company over the past years.

I again thank my fellow directors for their meaningful guidance and support. To the management team and employees I express my appreciation for their wholehearted cooperation in meeting the challenges involved in transforming the Group to what it is today. Finally, I thank our customers, bankers and shareholders for their confidence and continued support as the Group undertakes the actions necessary to succeed as it progresses to the next stage of its development.

Quek Leng Chan

Executive Chairman

15 September 2004