COMPANY PROFILE

Hong Leong Properties Berhad is a property group with businesses in **Property Development, Property Investment and Hotel & Resort Holdings.**

Our projects include award winning residential and commercial developments in the Klang Valley. With a management team that has grown with the Group over the years, we are well positioned to face the challenges and seize the opportunities that will arise in the coming years.

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CORPORATE INFORMATION

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Executive Chairman)
Mr Kwek Leng Seng
(Group Managing Director)
YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain
YBhg Dato' Ong Joo Theam
Mr Tan Ming Huat
Mr Tan Keok Yin
YBhg Dato' Chew Kong Seng
Mr Quek Chee Hoon

SECRETARY

Ms Lim Yew Yoke

AUDITORS

Messrs Ernst & Young
Level 23A, Menara Milenium
8 Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2087 7000
Fax : 03-2095 5332

REGISTRAR

Hong Leong Share Registration Services Sdn. Bhd.
(formerly known as Hong Leong Nominees Sendirian Berhad)
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

Level 10, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 2476

3 KiaPeng pool view

DIRECTORS' PROFILE



YBhg Tan Sri Quek Leng Chan

(Executive Chairman/Non-Independent Director)

Tan Sri Quek Leng Chan, aged 61, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is the Executive Chairman of Hong Leong Properties Berhad ("HLPB") and was appointed to the Board of HLPB on 16 June 1990. He is the Chairman of the Executive Share Option Scheme Committee of HLPB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, Executive Chairman of Hong Leong Industries Berhad, Hong Leong Credit Berhad, Hume Industries (Malaysia) Berhad, O.Y.L. Industries Berhad, Narra Industries Berhad (formerly known as Hume Cemboard Berhad) and Camerlin Group Berhad, Chairman of Hong Leong Bank Berhad, HLG Capital Berhad, Hong Leong Finance Berhad and Hong Leong Assurance Berhad.

Tan Sri Quek attended all the Board meetings of HLPB held during the financial year ended 30 June 2004.

He has no conflict of interests with HLPB and has no convictions for offences within the past 10 years.

Mr Kwek Leng Seng

(Group Managing Director/Non-Independent Director)

Mr Kwek Leng Seng, aged 46, a Singaporean, holds an Honours degree in Law from the University of Buckingham, London. He joined Hong Leong Group Malaysia in 1987 as the Claims Manager and Director of Hong Leong Assurance Berhad. Between 1990 to mid 1994, he assumed directorship and managerial positions in various subsidiaries of HLPB. In mid 1994, he became the Managing Director of HLG Securities Sdn. Bhd. and held the position until October 1995.

Mr Kwek is the Group Managing Director of HLPB and was appointed to the Board of HLPB on 1 November 1995. He is a member of the Board Audit & Risk Management Committee, Executive Share Option Scheme Committee and Share Transfer Committee of HLPB.

He is also a Director of Hong Leong Bank Berhad, a public listed company.

He attended all the Board meetings of HLPB held during the financial year ended 30 June 2004.

Mr Kwek, YBhg Tan Sri Quek Leng Chan, the Executive Chairman of HLPB, and Mr Quek Leng Chye, a deemed major shareholder of HLPB, are brothers.

Mr Kwek has no conflict of interests with HLPB and has no convictions for offences within the past 10 years.

YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain

(Non-Executive Independent Director)

Tan Sri Dato' (Dr) Abdul Aziz bin Zain, aged 81, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom in 1954. He has been conferred an Honorary Doctorate Degree in Laws from the Anglia Polytechnic University, United Kingdom, an Honorary Doctorate of Science from the University Sains Malaysia and an Honorary Doctorate (honoris causa) Degree in Laws from the International Islamic University Malaysia. Between 1940 to 1963, Tan Sri Dato' (Dr) Abdul Aziz held various appointments in the judiciary of Malaysia. From 1964 to 1965, he was seconded to Brunei as Attorney General. Between 1965 and 1971, he was a Judge of the High Court of Malaya and a Federal Judge, Supreme Court Malaysia.

Tan Sri Dato' (Dr) Abdul Aziz was appointed to the Board of HLPB on 4 May 1981 and he is the Chairman of the Board Audit & Risk Management Committee of HLPB.

He is also a Director of Metrojaya Berhad and the Chairman of UPA Corporation Berhad; both are public listed companies.

He attended all the Board meetings of HLPB held during the financial year ended 30 June 2004.

Tan Sri Dato' (Dr) Abdul Aziz has no family relationship with other directors or major shareholders of HLPB, no conflict of interests with HLPB and has no convictions for offences within the past 10 years.

YBhg Dato' Ong Joo Theam

(Non-Executive Non-Independent Director)

Dato' Ong Joo Theam, aged 55, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom in February 1972 and the Malaysian Bar in September 1972. He is an advocate and solicitor and has been in legal practice for more than 30 years.

Dato' Ong was appointed to the Board of HLPB on 26 August 1981. He does not sit on any Committee of HLPB.

DIRECTORS' PROFILE (cont'd)



He attended all the Board meetings of HLPB held during the financial year ended 30 June 2004.

Dato' Ong has no family relationship with other directors or major shareholders of HLPB, no conflict of interests with HLPB and has no convictions for offences within the past 10 years.

Mr Tan Ming Huat

(Executive Non-Independent Director)

Mr Tan Ming Huat, aged 53, a Malaysian, graduated with a Bachelor's Degree in Civil Engineering from the University of Malaya in 1977. After graduation, he worked in Jabatan Kerja Raya (JKR) as Engineer for 2 years. He has 25 years of experience in the property development sector with the Hong Leong Group Malaysia. He joined Hong Leong Group Malaysia in 1979 as Site Engineer in the property division and was promoted to Project Engineer in 1981. He was subsequently promoted to Chief Manager (Project) in 1982. Between 1984 and 1991, he assumed the position of General Manager. In 1992, he was promoted to Senior General Manager. In 1996, he assumed his present position of Chief Operating Officer of HLPB and is currently in charge of the Property Development and Property Investment Divisions.

Mr Tan was appointed to the Board of HLPB on 16 June 1990. He is a member of the Share Transfer Committee of HLPB.

He attended all the Board meetings of HLPB held during the financial year ended 30 June 2004.

Mr Tan has no family relationship with other directors or major shareholders of HLPB, no conflict of interests with HLPB and has no convictions for offences within the past 10 years.

Mr Tan Keok Yin

(Non-Executive Independent Director)

Aged 60, Mr Tan Keok Yin, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics and Investments Departments and the Penang Branch of BNM. In 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was appointed Chief Executive Officer ("CEO") in 1981 till 1999. As FMM CEO, he represented the organisation on various Government boards and committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN trade and industrial cooperation regional meetings and other international business forums. He also served as a Management Board member of EAN International located in Brussels, which oversees the world-wide commercial usage of the EAN-UCC bar codes and product numbering system.

Mr Tan was appointed to the Board of HLPB on 26 September 2001 and he is a member of the Board Audit & Risk Management Committee ("BARMC") of HLPB. His other directorships are as follows:

- Independent non-executive Director and Chairman of the BARMC and Remuneration Committee of Hong Leong Bank Berhad ("HLBB"), a public listed company, and is a member of the Nomination Committee of HLBB;
- Independent non-executive Director and BARMC member of Malaysian Pacific Industries Berhad, a public listed company;
- Independent non-executive Director and BARMC member of Hong Leong Assurance Berhad; and
- Independent non-executive Director of Hong Leong Finance Berhad.

Mr Tan has attended all the Board meetings of HLPB held during the financial year ended 30 June 2004.

Mr Tan has no family relationship with other directors or major shareholders of HLPB, has no conflict of interests with HLPB and has no convictions for any offences within the past 10 years.

YBhg Dato' Chew Kong Seng

(Non-Executive Independent Director)

Dato' Chew Kong Seng @ Chew Kong Huat, aged 66, a Malaysian, is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants.

Dato' Chew was a tax officer in the Inland Revenue Department in United Kingdom and then joined Stoy Hayward & Co in United Kingdom from 1964 to 1970. He returned to Malaysia and joined Turquand Young & Co (now known as Ernst & Young) and was



subsequently transferred to the Sarawak office in 1973, first as Manager in Charge and later as Partner in Charge. He was appointed as the Managing Partner of Ernst & Young from 1990 to 1996. He was the Managing Partner of Ernst & Young before he retired from professional practice in 1996. Dato' Chew is currently the Executive Director of Sarawak Enterprise Corporation Berhad, a public listed company.

He is also a Director of the following public listed companies:

- Director and Audit Committee Chairman of Petronas Dagangan Berhad, Industrial Concrete Products Berhad, Jaya Jusco Stores Berhad and PBA Holdings Berhad;
- Director and Audit Committee member of Petronas Gas Berhad; and
- Director of Encorp Berhad.

Dato' Chew is also a Director of Great Wall Plastic Industries Berhad, a public company.

Dato' Chew was appointed to the Board of HLPB on 26 September 2001. He does not sit on any Committees of HLPB.

He has attended three (3) out of four (4) Board meetings of HLPB held during the financial year ended 30 June 2004.

Dato' Chew has no family relationship with other directors or major shareholders of HLPB, has no conflict of interests with HLPB and has no convictions for offences within the past 10 years.

Mr Quek Chee Hoon

(Non-Executive Non-Independent Director)

Mr Quek Chee Hoon, aged 51, a Singaporean, holds a Bachelor of Accountancy degree from the University of Singapore. He has 27 years' extensive experience in various investment, corporate and management activities, including projects in infrastructure and property-related activities and businesses. He is currently the Chief Executive Officer of GuocoLand Limited, a major shareholder of HLPB.

Mr Quek was appointed to the Board of HLPB on 19 April 2004. He does not sit on any Committees of HLPB.

He has attended one (1) out of four (4) Board meetings of HLPB held during the financial year ended 30 June 2004 as he was appointed to HLPB on 19 April 2004.

Mr Quek has no family relationship with other directors or major shareholders of HLPB, has no conflict of interests with HLPB and has no convictions for offences within the past 10 years.

Menara HLA lobby

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Eightieth Annual General Meeting of Hong Leong Properties Berhad (the "Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 19 October 2004 at 3.30 p.m. in order:

1. To receive and consider the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2004.
2. To declare a final dividend of 2% less tax for the year ended 30 June 2004 to be paid on 10 November 2004 to shareholders registered in the Record of Depositors on 25 October 2004.
3. To approve the payment of Directors' fees of RM240,574 to be divided amongst the Directors in such manner as the Directors may determine.
4. To re-elect YBhg Tan Sri Quek Leng Chan, YBhg Dato' Chew Kong Seng and Mr Quek Chee Hoon, the retiring Directors.
5. To approve the following motion:

   "THAT YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-elected a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.
7. As a special business, to consider and, if thought fit, pass with or without any modification, the following ordinary motion:

   Authority To Directors To Issue Shares

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
8. To consider any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4.00 p.m. on 25 October 2004 in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

LIM YEW YOKE
Secretary

Kuala Lumpur
27 September 2004

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
3. **Ordinary Motion On Authority To Directors To Issue Shares**
   The Ordinary Motion, if passed, will give authority to the Directors of the Company to issue ordinary shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)



1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 80TH ANNUAL GENERAL MEETING OF THE COMPANY

Pursuant to Article 115 of the Company's Articles of Association

YBhg Tan Sri Quek Leng Chan

YBhg Dato' Chew Kong Seng

Pursuant to Article 94 of the Company's Articles of Association

Mr Quek Chee Hoon

Pursuant to Section 129 of the Companies Act, 1965

YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

There were four (4) Board meetings held during the financial year ended 30 June 2004. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 3 to 5 of the Annual Report.

3. PLACE, DATE AND TIME OF THE 80TH ANNUAL GENERAL MEETING

The 80th Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 19 October 2004 at 3.30 p.m.

4. FURTHER DETAILS OF DIRECTORS WHO ARE STANDING FOR ELECTION AS DIRECTORS

No individual is seeking election as a Director at the 80th Annual General Meeting.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT



CONSTITUTION

The Board Audit & Risk Management Committee (the "Committee") of Hong Leong Properties Berhad ("HLPB" or the "Company") has been established since 23 March 1994.

COMPOSITION

YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain
Chairman, Independent Non-Executive Director

Mr Tan Keok Yin
Independent Non-Executive Director

Mr Kwek Leng Seng
Non-independent Executive Director

SECRETARY

The Company Secretary of the Company shall be the Secretary of the Committee.

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the Group's officers to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions and resources of the internal audit functions.
- To review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as may be agreed to by the Committee and the Board.

AUTHORITY

The Committee is authorised by the Board to review any activity of HLPB and its subsidiaries (the "Group") within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit and external auditors are invited to attend Committee meetings. At least once a year, the Committee will have a separate session with the external auditors without the presence of executive directors.

Three (3) members of the Committee shall constitute a quorum.

After each Committee meeting, the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The Committee carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2004, four (4) Committee meetings were held and all the meetings were attended by all the Committee members.

The Committee reviewed the quarterly reports and annual financial statements of the Group. The Committee met with the external auditors and



discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The Committee reviewed the internal auditor's audit findings and recommendations.

In addition, the Committee reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The Committee also reviewed and approved various related party transactions carried out by the Group.

INTERNAL AUDIT

During the financial year ended 30 June 2004, the Internal Audit Department carried out its duties covering business audit, system and financial audit.

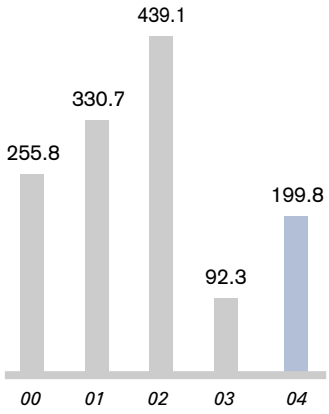
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GROUP FINANCIAL HIGHLIGHTS

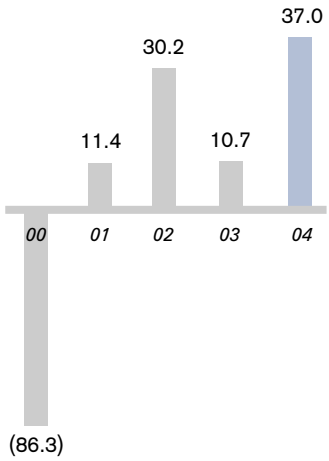


YEAR ENDED (RM MILLION)	JUNE 2000	JUNE 2001	JUNE 2002	JUNE 2003	JUNE 2004
Turnover	255.8	330.7	439.1	92.3	199.8
Pre-tax (loss)/profit	(86.3)	11.4	30.2	10.7	37.0
(Loss)/profit attributable to shareholders	(57.7)	7.6	25.6	6.2	33.9
Net earnings per share (sen)	(8.2)	1.1	3.7	0.9	4.8
Net tangible assets	677.4	686.8	713.0	713.8	744.9
Net tangible assets per share (RM)	0.97	0.98	1.02	1.02	1.06

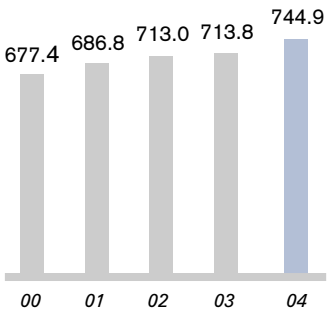
Turnover (RM million)



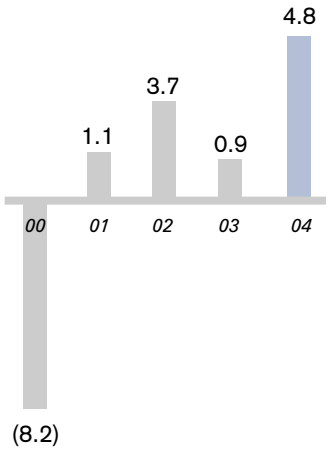
Pre-tax (Loss)/Profit (RM million)



Net Tangible Assets (RM million)



Net Earnings Per Share (Sen)



CORPORATE GOVERNANCE



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

~ Finance Committee on Corporate Governance

The Board of Directors has reviewed the manner in which the Malaysian Code on Corporate Governance (the "Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

A. DIRECTORS

i The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

ii Board Balance

The Board of Directors comprises eight (8) directors, five (5) of whom are non-executive. Of the non-executive directors, three (3) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Board met four (4) times during the financial year ended 30 June 2004.

The Board has identified the Company Secretary of the Company to whom concerns may be conveyed, who would bring the same to the attention of the Board.

iii Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and of the Group and management proposals which require the approval of the Board.

All directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the internal auditors.

iv Appointments to the Board

The Company does not have a Nominating Committee as all new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board.

The Company does not have a formal training programme for new directors. However, to assist the directors in discharging their duties, the Company has developed Directors' Manual where each new director will be given a copy at the point of his appointment. The Directors' Manual highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. The new director will be given briefing on the business of the Group and regulatory issues. Directors of the Company will also be updated from time to time of any new or changes to companies and securities legislations, rules and regulations.

v Re-election

All directors are required to submit themselves for re-election every three years.

CORPORATE GOVERNANCE (cont'd)



B. DIRECTORS' REMUNERATION

i Level and make-up of Remuneration

The Company does not have a Remuneration Committee.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

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

ii Procedure

The remuneration packages of all executives of the Group including executive directors are laid out in the Group's Human Resources Manual, which is reviewed from time to time to align with market/industry practices.

The fees of directors, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting.

iii Disclosure

The aggregate remuneration of directors (including those who have resigned during the year/including remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2004 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	115,000	692,000	807,000
Non-Executive Directors	131,000	35,000	166,000

The number of directors whose remuneration falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	2	5
50,001 – 100,000	-	-
100,001 – 650,000	-	-
650,001 – 700,000	1	-

C. SHAREHOLDERS

i Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

ii Annual General Meeting ("AGM")

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

D. ACCOUNTABILITY AND AUDIT

The Board Audit & Risk Management Committee (the "Committee") was established on 23 March 1994. The financial reporting and internal control system of the Group is overseen by the Committee, which comprises a majority of non-executive directors. The primary responsibilities of the Committee are set out in the Committee Report.

The Committee met four (4) times during the financial year ended 30 June 2004. All meetings were attended by all members of the Committee.

The Committee is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the Committee and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the Committee meetings where appropriate actions will be taken.

i Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the Committee, which assesses the financial statements with the assistance of the external auditors.



ii Internal Control

The Statement on Internal Control as detailed under paragraph E of this Statement provides an overview of the state of internal controls within the Group.

iii Relationship with Auditors

The appointment of external auditors is recommended by the Committee, which determines the remuneration of the external auditors. The external auditors meet with the Committee to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

E. STATEMENT ON INTERNAL CONTROL

The Board of Directors, recognising its responsibilities in ensuring sound internal controls, has developed a risk management framework for the Group to assist it in:

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures to manage these risks; and
- monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the Committee with the responsibility to oversee the implementation of the risk management framework of the Group.

The Board, in concurrence with the Committee, has appointed a Risk Manager ("RM") to administer the risk management framework. The RM is responsible to:

- periodically evaluate all identified risks for their continuing relevance in the operating environment and inclusion in the Risk Management Framework;
- assess adequacy of action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- periodically report to the Committee on the state of internal controls and the management of risks throughout the Group.

The Committee, assisted by the Internal Audit Department, provides oversight on the implementation of the risk management framework of the Group.

These on-going processes have been in place for the year under review, and are reviewed periodically by the Committee.

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

In joint ventures and associated company, the Board nominates representatives to sit as directors and take a proactive stance in assessing the performance of the entity with the goal of safeguarding the investment of the Group. Where practical, the Group may request functional, financial and operating information as well as assurance that such information have been prepared in accordance with reporting standards and have been derived from control environments acceptable to the Group.

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2004, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Hong Leong Properties Berhad Group for the financial year ended 30 June 2004.

OVERVIEW

The Malaysian economy rebounded strongly in this financial year on the back of the strengthening global economy. This contributed towards improvement in consumer sentiments.

Residential developments, especially landed properties, at prime locations will continue to be in demand. This is assisted by good government stimulus packages, attractive financing packages and improving consumer confidence. During the financial year under review, landed properties recorded sales rate of up to 75% while condominium sales rate remains competitive at 55%.

The Klang Valley currently has a surplus of 13 million square feet of office space. Overall occupancy rate improved to 80% by June 2004 while market rentals generally remained stable. Strategically located office buildings with relatively good occupancy rates due to continuous building enhancement and maintenance programmes have marginally increased their rental rates.

FINANCIAL HIGHLIGHTS

For the financial year ended 30 June 2004, the Group recorded more than a 100% increase in profit before taxation to RM37.0 million and revenue to RM199.8 million. These were largely due to the profit contribution from the Residential Division and the gain on disposal of a joint venture company.

Gross revenue in this financial year from the Residential Division rose by 94% to RM67 million mainly due to higher sales from 3 KiaPeng, our prestigious service apartment development. The Hotel and Resort Division recorded a 14% growth to RM44.1 million in revenue. This was mainly driven by market confidence and a quick return to the pre-Severe Acute Respiratory Syndrome ("SARS") level. Our Property Investment Division, however, dropped 19% in revenue to RM13.8 million amid the continued situation of office space oversupply.

In the course of this financial year, we saw a steady improvement in our balance sheet. Net tangible assets increased to RM744.9 million as at 30 June 2004, from RM713.8 million in the previous year.

STRATEGIES AHEAD

Looking ahead, we will continue to focus on property development and property investment, i.e., on our township developments and investment properties that will generate sustainable returns for our shareholders.

Property Development Division

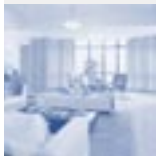
Emerald Enclave has established its niche as the landmark township in Rawang. Located on freehold land, a mere 1 km from the Rawang Interchange and close to Rawang's town centre, Emerald Enclave presents ready accessibility to Kuala Lumpur ("KL") and Petaling Jaya via the North-South Highway among others.

Its exclusive gated bungalow enclave, the Peridot Precint, is the idyllic contemporary neighbourhood, with quality home fittings and finishes that present a new level of living comfort and state-of-the-art security features, from perimeter fencing and CCTV system to round-the-clock security patrols and intercom links with guardhouse.

The very encouraging response of earlier phases such as the Amethyst 1 & 2 double-storey terrace houses proves that house buyers are more discerning in selecting not just a choice new home, but a quality neighbourhood environment. The forthcoming release of the Amethyst 3 double-storey terrace houses follows the success of the earlier phases, with the added attraction of an even more generous built-up area.

Astute house buyers will have even more choices to look forward to with the upcoming launches of Emerald Hills. Situated on gently undulating hill ground, the Emerald Hills development is close by Emerald Enclave. Also a gated community with self-contained amenities, the first phase to be launched will comprise double-storey houses, to be followed soon after by the launch of semi-detached and bungalow homes.

Another well-received development is Bukit Rahman Putra, a vibrant township in Sungai Buloh, which presents a wide range of established facilities and amenities such as schools, a shopping mall, shops and a variety of restaurants. It has close accessibility to the North Klang Valley Expressway and the North-South Highway.



The latest development in Bukit Rahman Putra is Ascot Hill 3, the impressive 3-storey semi-detached courtyard homes, designed to make every home a corner lot. Located within an exclusive gated enclave, the neighbourhood features covered utilities and 50 feet wide internal roads that enhance the conducive living environment further.

Pantai Sepang Putra is our integrated township project. West End Bungalow at the Lake District is the latest phase of Pantai Sepang Putra's 7000-acre township. Residents can enjoy clean, fresh air and waterfront living. KL is just a leisurely drive away and KL International Airport is merely a short trip from home. This township provides luxuriant living with sweeping lakeside views from home.

For the discerning few, 3 KiaPeng is an investment of immense potential and a home of unquestionable prestige. It is freehold, with a low-density of only 140 exclusive units. This is one such strategically located development, sited right next to KL City Centre ("KLCC"), to blend the excitement of city living and the tranquillity of the beautifully landscaped KLCC park.

Property Investment Division

Our Property Investment Division experienced lower revenue compared to the previous financial year. We will continue with our emphasis on stringent maintenance practices as well as ensuring quality tenant profiles for all our buildings. Our office buildings achieved occupancy rate of up to 80% and has improved since the end of this financial year. We will be actively seeking opportunities in the coming year to trade our assets in order to realize capital gains as well as to generate cash flow for investment opportunities.

Hotel and Resort Division

Our Hotel and Resort Division comprises one resort hotel and two city hotels, located in Port Dickson, Johor Bahru and Hanoi respectively. Occupancy rate has returned to the pre-SARS level and we are seeing increase in hotel reservations and bookings compared to the previous financial year. We will ensure that our hotels continue generating positive cash flow from operations, while at the same time maintaining key operating performance benchmark in terms of productivity, efficiency, occupancy and room rates. We will also place strong emphasis on providing quality service to our guests and ensuring the upkeep of our assets in excellent condition.

PROSPECTS

Looking ahead, we are optimistic of a positive outlook. Demand for residential properties is expected to strengthen with improving consumer sentiment, increase in private sector investment and attractive financing packages. Meanwhile, a better economy ahead is expected to improve our office occupancy rate.

With our planned strategies in place, we anticipate our performance to be satisfactory in the coming year.

CORPORATE DEVELOPMENT

The Company announced on 5 August 2004 that its indirect wholly-owned subsidiary, Bedford Land Sdn. Bhd., had acquired 2 ordinary shares of RM1 each representing the entire equity interest of Prophills Development Sdn. Bhd. for cash consideration of RM2.

On the same date, the Company's indirect wholly-owned subsidiary, Prophills Development Sdn. Bhd. entered into a conditional Sale and Purchase Agreement with its jointly controlled entity, Bedford Damansara Heights Development Sdn. Bhd. ("Bedford Damansara") to acquire an office building known as HP Towers (formerly known as Wisma Semantan) from Bedford Damansara for a cash consideration of RM103,823,400.

DIVIDEND

During the year, the Company paid a final dividend of 1% less tax at 28% amounting to RM2,521,650 in respect of the previous financial year.

The Board is pleased to recommend a final dividend in respect of the financial year ended 30 June 2004 of 2% less tax at 28% amounting to RM5,043,300.

DIRECTORATE

On behalf of the Board, I welcome Mr Quek Chee Hoon as a new Board member with effect from 19 April 2004.

APPRECIATION

On behalf of the Board, I wish to express our appreciation for the continued support of our valued customers, business associates, government authorities and shareholders and we look forward to their continued support in the future. To our management and staff, we thank you for your commitment and dedication.

QUEK LENG CHAN
Chairman

Kuala Lumpur
23 August 2004

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiary companies are property development, property investment, hotel operations, investment holding, trading in securities and provision of management services.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	33,851	9,765

There have been no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

During the year, the Company paid a final dividend of 1% less taxation at 28% amounting to RM2,521,650 in respect of the previous financial year as proposed in the directors' report of that year.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2004, of 2% less taxation at 28% on 700,458,418 ordinary shares, amounting to a total dividend payable of RM5,043,300 (0.72 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2005.

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "Scheme")

The shareholders of the Company approved the implementation of the Scheme at the Extraordinary General Meeting held on 14 December 1999. In the previous financial year, shareholders approved the proposal to extend the duration of the Scheme for an additional period of 5 years from 24 December 2004 up to and including 24 December 2009 and to amend the Bye-Laws of the Scheme to, inter-alia, incorporate revisions to the Securities Commission's Guidelines in relation to employee share option scheme, introduce new performance criteria as a basis for prime value options to key executives and provide flexibility to the Company to issue new shares and/or transfer existing shares to option holders upon the exercise of their options.

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "Scheme") (cont'd)

The main features of the ESOS are, inter alia, as follows:

1. Eligible executives are those executives (including full-time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full-time executive directors had been approved by the shareholders of the Company in a general meeting.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 24 December 1999.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.50 each.
5. An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.
6. The options granted to eligible executives will lapse when they are no longer in employment of the Group.

The movements in the Company's unissued ordinary shares under the ESOS during the financial year are as follows:

	No. of unissued ordinary shares of RM0.50 each under the ESOS				
	At 1.7.2003	Options Granted	Options Lapsed	Options Exercised	At 30.6.2004
Option price of RM1.42	1,137,000	–	–	–	1,137,000
Option price of RM1.76	25,000	–	–	–	25,000
	1,162,000	–	–	–	1,162,000

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

YBhg Tan Sri Quek Leng Chan	(Executive Chairman)
Mr Kwek Leng Seng	(Group Managing Director)
YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain	
YBhg Dato' Ong Joo Theam	
Mr Tan Ming Huat	
Mr Tan Keok Yin	
YBhg Dato' Chew Kong Seng @ Chew Kong Huat	
Mr Quek Chee Hoon	(Appointed on 19 April 2004)

In accordance with Article 115 of the Company's Articles of Association, YBhg Tan Sri Quek Leng Chan and YBhg Dato' Chew Kong Seng @ Chew Kong Huat retire by rotation from the Board at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr Quek Chee Hoon retires from the Board at the forthcoming AGM and, being eligible, offers himself for re-election.

In accordance with Section 129(2) of the Companies Act, 1965, YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain retires, having attained the age of over 70 years. The Board recommends that YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain be re-elected in accordance with Section 129(6) of the said Act.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

The holdings in the ordinary shares and/or options/warrants of the Company of those who were directors as at 30 June 2004 are as follows:

		No. of ordinary shares or *new shares to be issued arising from the exercise of options/warrants			
	Nominal value per share RM	At 1.7.2003	Acquired	Sold	At 30.6.2004
Shareholdings in which directors have direct interests					
INTEREST OF YBHG TAN SRI QUEK LENG CHAN IN:					
Hong Leong Properties Berhad	0.50	–	3,266,280#	–	3,266,280
INTEREST OF MR KWEK LENG SENG IN:					
Hong Leong Properties Berhad	0.50	–	123,180#	–	123,180
		400,000*	–	–	400,000*
INTEREST OF YBHG TAN SRI DATO' (DR) ABDUL AZIZ BIN ZAIN IN:					
Hong Leong Properties Berhad	0.50	3,400	–	–	3,400
		800*	–	–	800*
INTEREST OF YBHG DATO' ONG JOO THEAM IN:					
Hong Leong Properties Berhad	0.50	13,000	9,588#	–	22,588
INTEREST OF MR TAN MING HUAT IN:					
Hong Leong Properties Berhad	0.50	40,000	10,800#	–	50,800
		240,000*	–	–	240,000*

DIRECTORS' INTERESTS (cont'd)

The deemed holdings in the ordinary shares and/or warrants of the Company and its related corporations (other than wholly-owned subsidiary companies) of YBhg Tan Sri Quek Leng Chan as at 30 June 2004 are as follows:

		No. of ordinary shares or *new shares to be issued arising from the exercise of warrants			
	Nominal value per share RM	At 1.7.2003	Acquired	Sold	At 30.6.2004
Shareholdings in which director has indirect interests					
Hong Leong Properties Berhad	0.50	353,259,211	249,033,527#	311,996,346#	304,554,612
			15,280,700	1,022,480	
		34,322,420*	–	6,299,300*	28,023,120*
Guoman Hotel & Resort Holdings Sdn. Bhd.	1.00	277,000,000	–	–	277,000,000
HLL-Guoco Vietnam Co. Limited	^	5,000,592	–	–	5,000,592
Treacher Development Sdn. Bhd.	1.00	14,000,000	–	14,000,000	–
JB Parade Sdn. Bhd.	1.00	18,000,000	–	–	18,000,000
	0.01	68,594,000 (Preference Shares)	–	–	68,594,000 (Preference Shares)

Legend:

^ Capital Contribution in USD

\# Pursuant to the capital distribution of Hong Leong Properties Berhad ("HLPB") shares to shareholders of Hong Leong Credit Berhad ("HLC") on the basis of 3 HLPB shares for every 10 HLC shares held.

DIRECTORS' REPORT (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the director or with a firm of which the director is a member, or with a corporation in which the director has a substantial financial interest, except for YBhg Tan Sri Quek Leng Chan who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances in the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests; and YBhg Dato' Ong Joo Theam who may be deemed to derive a benefit by virtue of the provision of legal services to the Company and its related corporations.

There were no arrangements during and at the end of the financial year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are disclosed in Note 38 to the financial statements.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Events subsequent to the balance sheet date are disclosed in Note 39 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (cont'd)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements of the Group and of the Company misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

KWEK LENG SENG

TAN MING HUAT

Kuala Lumpur
23 August 2004

BALANCE SHEETS as at 30 June 2004

	Note	GROUP 2004 RM'000	GROUP 2003 RM'000	COMPANY 2004 RM'000	COMPANY 2003 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	**186,490**	194,128	**61**	91
INVESTMENT PROPERTIES	4	**255,030**	255,030	**–**	–
LAND HELD FOR DEVELOPMENT	5	**146,659**	177,951	**–**	–
INVESTMENTS IN SUBSIDIARY COMPANIES	6	**–**	–	**509,457**	509,457
AMOUNTS DUE FROM SUBSIDIARY COMPANIES	7	**–**	–	**47,734**	60,229
INVESTMENT IN ASSOCIATED COMPANY	8	**876**	1,221	**–**	–
INVESTMENTS IN JOINT VENTURES	9	**371,485**	387,986	**56,000**	56,000
OTHER INVESTMENTS	10	**25,978**	–	**–**	–
		986,518	1,016,316	**613,252**	625,777
CURRENT ASSETS					
Inventories	11	**66,360**	111,864	**–**	–
Amount due from contract customers	12	**–**	43	**–**	–
Investments	13	**9,053**	9,793	**–**	–
Development properties	14	**32,284**	32,613	**–**	–
Trade and other receivables	15	**35,931**	84,895	**49,922**	129,311
Tax recoverable		**7,345**	11,414	**9,015**	9,871
Deposits, cash and bank balances	16	**18,362**	7,005	**463**	861
		169,335	257,627	**59,400**	140,043
CURRENT LIABILITIES					
Trade and other payables	17	**40,784**	52,494	**4,198**	2,508
Amount due to contract customers	12	**870**	166	**–**	–
Short term borrowings	18	**43,145**	251,057	**31,576**	74,502
Provision for taxation		**812**	209	**4,711**	–
		85,611	303,926	**40,485**	77,010
NET CURRENT ASSETS/(LIABILITIES)		**83,724**	(46,299)	**18,915**	63,033
		1,070,242	970,017	**632,167**	688,810

	Note	GROUP		COMPANY	
		2004	2003	**2004**	2003
		RM'000	RM'000	**RM'000**	RM'000
FINANCED BY:					
SHARE CAPITAL	19	**350,229**	350,229	**350,229**	350,229
RESERVES	20	**394,653**	363,608	**157,038**	149,795
		744,882	713,837	**507,267**	500,024
MINORITY INTEREST		**46,061**	51,575	**–**	–
		790,943	765,412	**507,267**	500,024
DEFERRED AND LONG TERM LIABILITIES					
Amounts due to subsidiary companies	7	**–**	–	**25,338**	20,524
Amounts due to joint ventures	21	**–**	7,262	**–**	7,262
Borrowings	22	**278,063**	196,000	**99,562**	161,000
Deferred taxation	23	**1,236**	1,343	**–**	–
		279,299	204,605	**124,900**	188,786
		1,070,242	970,017	**632,167**	688,810

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENTS for the financial year ended 30 June 2004

	Note	GROUP 2004 RM'000	GROUP 2003 RM'000	COMPANY 2004 RM'000	COMPANY 2003 RM'000
Revenue	24	**199,791**	92,255	**24,871**	16,030
Profit from operations	25	**38,858**	12,651	**19,598**	14,820
Interest income	26	**1,366**	1,661	**8,993**	12,789
Finance costs	27	**(24,024)**	(30,667)	**(15,313)**	(22,048)
Share of profit/(loss) in					
– Associated company		**(7)**	13	**–**	–
– Joint ventures		**20,764**	27,067	**–**	–
Profit before taxation		**36,957**	10,725	**13,278**	5,561
Taxation:					
– Company and subsidiary companies		**2,701**	(2,472)	**(3,513)**	(2,421)
– Associated company		**–**	(4)	**–**	–
– Joint ventures		**(6,181)**	(6,148)	**–**	–
	28	**(3,480)**	(8,624)	**(3,513)**	(2,421)
Profit after taxation		**33,477**	2,101	**9,765**	3,140
Minority interests		**374**	4,054	**–**	–
Net profit for the year		**33,851**	6,155	**9,765**	3,140
Earnings per share	29	**4.8 sen**	0.9 sen		
Net dividends per share proposed	30	**0.72 sen**	0.36 sen		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY for the financial year ended 30 June 2004

	Note	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Retained profits RM'000	Dividend proposed RM'000	Total RM'000
Group							
At 1 July 2002		350,229	35,089	8,578	314,021	5,043	712,960
Net gain not recognised in the income statement							
– translation of foreign subsidiary companies		–	–	135	–	–	135
– arising from disposal of a subsidiary company		–	–	(370)	–	–	(370)
Profit for the year		–	–	–	6,155	–	6,155
Dividend paid	30	–	–	–	–	(5,043)	(5,043)
At 30 June 2003		350,229	35,089	8,343	320,176	–	713,837
Net loss not recognised in the income statement							
– translation of foreign subsidiary companies		–	–	(284)	–	–	(284)
Profit for the year		–	–	–	33,851	–	33,851
Dividend paid	30	–	–	–	(2,522)	–	(2,522)
At 30 June 2004		350,229	35,089	8,059	351,505	–	744,882
Company							
At 1 July 2002		350,229	35,089	68,219	43,347	5,043	501,927
Profit for the year		–	–	–	3,140	–	3,140
Dividend paid	30	–	–	–	–	(5,043)	(5,043)
At 30 June 2003		350,229	35,089	68,219	46,487	–	500,024
Profit for the year		–	–	–	9,765	–	9,765
Dividend paid	30	–	–	–	(2,522)	–	(2,522)
At 30 June 2004		350,229	35,089	68,219	53,730	–	507,267

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENTS for the financial year ended 30 June 2004

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and minority interests	**36,957**	10,725	**13,278**	5,561
Adjustments for:				
Depreciation of property, plant and equipment	**6,688**	4,912	**38**	37
Gain on disposal of a joint venture	**(28,372)**	–	**–**	–
Gain on disposal of a subsidiary company	**(1,033)**	–	**–**	–
Interest expense	**24,024**	30,667	**15,313**	22,048
Provision for/(write back of) doubtful debts	**4,259**	(5,804)	**1,500**	–
Provision for diminution in value of investments	**740**	3,198	**–**	–
Property, plant and equipment written off	**–**	4,956	**–**	–
Share of loss/(profit) in associated company	**7**	(13)	**–**	–
Share of profit in joint ventures	**(20,764)**	(27,067)	**–**	–
Loss on disposal of a subsidiary company	**–**	77	**–**	–
Gain on disposal of property, plant and equipment	**–**	(312)	**–**	–
Dividend income	**–**	(10)	**(24,000)**	(16,030)
Interest income	**(1,366)**	(1,661)	**(8,993)**	(12,789)
Operating profit/(loss) before working capital changes	**21,140**	19,668	**(2,864)**	(1,173)
Working capital changes:				
Inventories	**45,504**	8,829	**–**	–
Investment properties	**–**	2,817	**–**	–
Receivables	**(1,722)**	27,552	**1,555**	(4,313)
Development properties	**329**	4,874	**–**	–
Payables	**(8,292)**	(18,332)	**322**	(1,919)
Joint venture balances	**40,097**	28,963	**(5,864)**	(5,770)
Inter company balances	**–**	–	**93,613**	49,267
Land held for development	**(155)**	(1,374)	**–**	–
Cash generated from operations	**96,901**	72,997	**86,762**	36,092
Interest received	**1,366**	1,661	**8,993**	12,789
Tax refunded/(paid)	**6,951**	(9,895)	**8,774**	48
Net cash generated from operating activities	**105,218**	64,763	**104,529**	48,929

	Note	GROUP 2004 RM'000	GROUP 2003 RM'000	COMPANY 2004 RM'000	COMPANY 2003 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from:					
– subsidiary companies		**–**	–	**17,280**	10,735
– joint venture		**862**	806	**–**	806
– short term investment		**–**	10	**–**	–
Proceeds from disposal of					
– property, plant and equipment		**–**	1,732	**–**	–
– a joint venture		**61,754**	–	**–**	–
Acquisition of property, plant and equipment	(a)	**(941)**	(3,736)	**(8)**	–
Acquisition of additional interest in joint ventures		**(21,968)**	–	**–**	–
Disposal of subsidiary company, net of cash disposed	6	**(1)**	(967)	**–**	–
Proceeds from redemption of investment in preference shares in joint venture		**18,800**	–	**–**	–
Net cash generated from/(used in) investing activities		**58,506**	(2,155)	**17,272**	11,541
CASH FLOWS FROM FINANCING ACTIVITIES					
Bank borrowings drawdown		**155,000**	60,000	**–**	52,500
Deposits with licensed banks		**(4,247)**	934	**–**	–
Dividend paid		**(2,522)**	(5,043)	**(2,522)**	(5,043)
Interest paid		**(24,024)**	(30,667)	**(15,313)**	(22,048)
Repayment of bank borrowings		**(277,355)**	(103,500)	**(104,500)**	(84,000)
Net cash used in financing activities		**(153,148)**	(78,276)	**(122,335)**	(58,591)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**10,576**	(15,668)	**(534)**	1,879
EFFECTS OF EXCHANGE RATE CHANGES		**28**	19	**–**	–
CASH AND CASH EQUIVALENTS: AT 1 JULY		**(3,229)**	12,420	**859**	(1,020)
AT 30 JUNE	(b)	**7,375**	(3,229)	**325**	859

CASH FLOW STATEMENTS for the financial year ended 30 June 2004 (cont'd)

(a) Additions of property, plant and equipment during the year were fully paid for by cash.

(b) Cash and cash equivalents comprise the following balance sheet amounts:

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**11,246**	2,754	**320**	800
Less: Amount pledged to a financial institution for banking facilities granted (Note 16)	**(4,924)**	(677)	**–**	–
	6,322	2,077	**320**	800
Cash and bank balances	**7,116**	4,251	**143**	61
Bank overdrafts	**(6,063)**	(9,557)	**(138)**	(2)
	7,375	(3,229)	**325**	859

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies are property development, property investment, hotel operations, investment holding, trading in securities and provision of management services. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office is located at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The principal place of business of the Company is located at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The numbers of employees as at 30 June 2004 in the Group and in the Company were 517 (2003: 475) and 20 (2003: Nil) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 August 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 30 June 2004, the Company adopted the Malaysian Accounting Standard Board (MASB) Standard No. 29, Employee Benefits for the first time.

The adoption of the above MASB standard has not given rise to any adjustments to the opening balances of retained profits of the prior and current years or to changes in comparatives.

(b) Basis of Consolidation

(i) Subsidiary Companies

Subsidiary companies are consolidated on the acquisition method of accounting except for certain subsidiary companies, as disclosed in Note 34 to the financial statements, which are consolidated on the merger method of accounting. As allowed by MASB 21, Business Combination, the recognition criteria of a business combination under the merger method of accounting will be applied prospectively. Subsidiary companies previously consolidated on the merger method of accounting will continue to apply.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Company controls the composition of its Board of Directors and more than half of its voting powers or holds more than half of its issued ordinary share capital.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of Consolidation (cont'd)

(i) Subsidiary Companies (cont'd)

(i) Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition costs and these fair values is reflected as goodwill or reserve on consolidation as appropriate. Goodwill on consolidation is written off against reserves.

(ii) Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years. The difference between the cost of acquisition over the nominal value of the share capital and share premium of the subsidiary companies is written off against reserves.

All inter-company transactions and balances and the resulting unrealised profits are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any exchange differences which were not previously recognised in the consolidated income statement. Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(ii) Associated Companies

An associated company is an investee company that is not a subsidiary company and in which the Group has a long term equity interest and exercises significant influence over the financial and commercial policies of the investee through Board representation.

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated company.

The Group's share of results and reserves of the associated companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal under the equity method.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated to the extent of the Group's interests in the associates.

(iii) Joint Ventures

Joint ventures represent contractual arrangements with third parties to undertake construction and development projects.

Investments in joint ventures are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the joint ventures.

The Group's share of results of joint ventures included in the consolidated financial statements from the date of formation of the joint ventures and up to the date of completion of the projects under the equity method.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 2(e).

Freehold land is not depreciated.

Leasehold land and building of the hotel properties are not amortised so as to better reflect their estimated residual values of the hotel properties. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset over the estimated useful life at the following annual rates:

Buildings other than hotel buildings	2%
Building service plant, equipment and furniture and fittings	5% – 20%
Motor vehicles	20%

Upon disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(d) Investments in Subsidiary and Associated Companies and Joint Ventures

The Company's investments in subsidiary and associated companies and joint ventures are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(e).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(f) Foreign Currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transaction. At each balance sheet date, foreign currency assets and liabilities are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange gains and losses are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Foreign Currencies (cont'd)

(ii) Translation of foreign currency financial statements

The revenues and expenses of foreign operations are translated into Ringgit Malaysia at average exchange rates applicable throughout the year.

Assets, liabilities and income statement items of foreign subsidiary companies are reported in Ringgit Malaysia at the exchange rates ruling at the balance sheet date. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date are as follows:

Foreign currency	**2004 RM**	2003 RM
United States Dollar	**3.80**	3.80
Philippine Peso	**0.07**	0.07
British Sterling Pound	**6.79**	6.28
Singapore Dollar	**2.21**	2.16

(g) Investment properties

Investment properties consist of land and buildings held for investment and rental.

Investment properties are treated as long term investments and are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(e).

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(h) Development Properties and Land Held for Development

Land and development expenditure are classified as development properties when significant development work has been undertaken and is expected to be completed in the normal operating cycle. Development properties are stated at cost, and where appropriate, include attributable profit less progress payments received and receivable. Cost includes cost of land and development expenditure, interest charges related to the financing of development and an allocation of overhead.

Land held for development consists of land held for future development where no significant development has been undertaken, and is stated at cost and written down value. Costs includes incidental expenditure incurred to put the land in a condition ready for development.

(i) Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Construction Contracts (cont'd)

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(j) Inventories

(i) Property inventories

Property inventories consist of residential and commercial properties. They are stated at the lower of cost and net realisable value. Cost includes the relevant cost of land, development expenditure and related interest cost incurred during the development period.

(ii) Others

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

(k) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value, against which the bank overdraft balances, if any, are deducted.

(l) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Employees Benefits

(i) Short term benefits

Wages, salaries, bonuses, annual and sick leave and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

Contributions to define contribution plans are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plans

In previous years, the Group operated a defined contribution scheme for eligible executives which was administered by the Hong Leong Group Executive Retirement Benefit Fund. The benefits payable on retirement were based on a fixed percentage contribution of the salary of the executive as accrued monthly in the executive's nominal account.

The defined benefit plan was dissolved during the year.

(iv) Equity compensation benefit

The Hong Leong Properties Berhad Executive Share Options Scheme ("ESOS") allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, the equity is increased by the amount of the proceeds received.

(o) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2(i).

(ii) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

(iii) Property inventories

Revenue from sale of property inventories is recognised when the significant risks and rewards of ownership of the property have been passed to the buyer.

(iv) Dividend income

Dividend income arising from investments in subsidiary companies, joint ventures, associated company, long term investments and short term investments are recognised when the rights to receive payment are established.

(v) Rental income

Revenue from room rental and rental of properties are recognised on the accrual basis unless collectibility is in doubt, in which case, they are recognised on receipt basis.

(vi) Interest income

Interest income are recognised on the accrual basis unless the collectibility is in doubt, in which case they are recognised on receipt basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Financial Instruments

Financial instruments are recognised in the balance sheets when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Short term investments

Short term investments are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) Receivables

Receivables are recognised and carried at original invoiced amount less an allowance for any irrecoverable amount. An estimation for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment, investment properties, land held for development and properties under development are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold land and buildings RM'000	Long leasehold land and buildings RM'000	Short leasehold land and buildings RM'000	Building service plant, equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 July 2003	2,272	70,433	77,553	56,452	57,878	14,464	1,401	280,453
Additions	–	243	150	14	20	482	32	941
Reclassifications	–	–	–	(11,708)	11,708	–	–	–
Write-off	–	–	–	–	–	–	(51)	(51)
Adjustments	–	(1,891)	–	–	–	–	–	(1,891)
At 30 June 2004	2,272	68,785	77,703	44,758	69,606	14,946	1,382	279,452
Accumulated Depreciation and Impairment Losses								
At 1 July 2003	–	9,247	–	32,683	31,163	12,469	763	86,325
Charge for the year	–	–	–	–	6,027	470	191	6,688
Reclassifications	–	–	–	(7,918)	8,773	(855)	–	–
Write-off	–	–	–	–	–	–	(51)	(51)
At 30 June 2004	–	9,247	–	24,765	45,963	12,084	903	92,962
Net Book Value								
At 30 June 2004	2,272	59,538	77,703	19,993	23,643	2,862	479	186,490
At 30 June 2003	2,272	61,186	77,553	23,769	26,715	1,995	638	194,128
Depreciation charge for 2003	–	–	–	–	4,632	48	232	4,912
Details at 1 July 2002								
Cost	2,272	69,719	77,137	60,837	54,939	18,292	1,480	284,676
Accumulated depreciation and impairment losses	–	9,247	–	32,683	25,409	14,540	1,021	82,900

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
Company			
Cost			
At 1 July 2003	207	166	373
Addition	8	–	8
At 30 June 2004	215	166	381
Accumulated Depreciation			
At 1 July 2003	146	136	282
Charge for the year	22	16	38
At 30 June 2004	168	152	320
Net Book Value			
At 30 June 2004	47	14	61
At 30 June 2003	61	30	91
Depreciation charge for 2003	21	16	37
Details at 1 July 2002			
Cost	241	170	411
Accumulated depreciation	159	124	283

The net book values of property, plant and equipment pledged for borrowings as referred to in Notes 18 and 22 are as follows:

	GROUP	
	2004 RM'000	2003 RM'000
Freehold land and buildings	**59,538**	61,186
Long leasehold land and buildings	**77,703**	77,553
Building service plant and equipment	**17,217**	20,329
Furniture and fittings	**1,392**	1,379
Motor vehicles	**80**	87
	155,930	160,534

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

4. INVESTMENT PROPERTIES

	GROUP	
	2004	2003
	RM'000	RM'000
Freehold land and buildings		
– at cost	**199,024**	199,024
– at written down value	**56,006**	56,006
	255,030	255,030
Fair value of investment properties, estimated by Directors	**320,081**	320,081

The freehold land and buildings are charged to financial institutions as collateral for credit facilities granted to the Company and the Group as disclosed in Note 22.

5. LAND HELD FOR DEVELOPMENT

	GROUP	
	2004	2003
	RM'000	RM'000
At cost:		
Freehold land	**141,561**	155,706
Development expenditure	**4,364**	21,511
	145,925	177,217
At written down value:		
Freehold land	**734**	734
	146,659	177,951

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	COMPANY	
	2004	2003
	RM'000	RM'000
Unquoted shares at cost	**514,423**	514,423
Accumulated impairment losses	**(4,966)**	(4,966)
	509,457	509,457

Details of the subsidiary companies are disclosed in Note 34.

On 21 July 2003, the Group completed the disposal of a subsidiary company, Treacher Development Sdn. Bhd. Further details of the disposal are disclosed in Note 38.

6. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

The disposal had no material effects on the Group's financial results for the year.

The disposal had the following effects on the financial position of the Group as at the end of the year.

	2004 RM'000
Land held for development	**31,447**
Cash and bank balances	**1**
Current liabilities	**(14,829)**
Long term liabilities	**(5,018)**
Net assets disposed	**11,601**
Total disposal proceeds	**(12,634)**
Profit on disposal to the Group	**(1,033)**
Disposal proceeds settled by quoted shares	**12,634**
Cash outflow arising from disposal:	
Cash and cash equivalents of subsidiary company disposed	**(1)**
Net cash outflow of the Group	**(1)**

In the previous financial year, the Group disposed of its 100% equity interest in Koru Bena Sdn. Bhd. The effects on the financial position of the Group from the disposal were as follows:

	2003 RM'000
Property, plant and equipment	95
Current assets	53,760
Current liabilities	(51,950)
Cash and bank balances	967
Long term liabilities	(2,795)
Net assets of subsidiary company disposed	77
Total disposal proceeds	–
Loss on disposal	77
Cash outflow arising from disposal:	
Proceeds from disposal*	–
Cash and cash equivalents disposed	967
Net cash outflow of the Group	(967)

* The consideration received was RM1.00

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

7. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES (UNSECURED)

	AMOUNT DUE FROM		AMOUNT DUE TO	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Company				
As at 30 June	**95,469**	184,551	**25,338**	20,524
Amount repayable within 12 months (Note 15)	**(47,735)**	(124,322)	**–**	–
	47,734	60,229	**25,338**	20,524

The amounts due from subsidiary companies bear interest at rate of 7.5% (2003: 3% to 8.4%) per annum.

The amounts due to subsidiary companies bear interest at rates ranging from 3.0% to 8.0% (2003: 3% to 4.35%) per annum.

The amounts due from/to subsidiary companies are unsecured and the Company does not intend to recall the amounts within the next 12 months.

8. INVESTMENT IN ASSOCIATED COMPANY

	GROUP	
	2004	2003
	RM'000	RM'000
Unquoted shares at cost	**6**	6
Share of post acquisition reserves	**1,208**	1,215
Share of post acquisition translation reserve	**(338)**	–
	876	1,221
Represented by:		
Share of net assets of associated company	**876**	1,221

Details of the associated company are as follows:

		Effective equity interest		
Name of company	**Country of incorporation**	**2004 %**	2003 %	**Intended principal activity**
Luck Hock Venture Holdings, Inc.	Philippines	28	28	Property investment

9. INVESTMENTS IN JOINT VENTURES

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Investment at cost	**284,916**	309,993	**56,000**	56,000
Share of post acquisition reserves	**86,569**	77,993	**–**	–
	371,485	387,986	**56,000**	56,000

Details of the joint ventures are disclosed in Note 35.

The Group's interest in the assets, liabilities, revenue and expenses of jointly controlled entities are as follows:

	2004	2003
	RM'000	RM'000
Long term assets	**461,278**	572,333
Current assets	**133,180**	158,985
Long term liabilities	**(147,813)**	(202,763)
Current liabilities	**(75,160)**	(140,569)
Net assets	**371,485**	387,986
Revenue	**109,666**	100,002
Expenses	**(95,083)**	(79,083)
	14,583	20,919
Share of contingent liability	**–**	1,150

10. OTHER INVESTMENTS

	GROUP	
	2004	2003
	RM'000	RM'000
Quoted shares in Malaysia, at cost	**25,978**	–
Market value of quoted shares	**13,768**	–

The directors regard the shortfall in value of the quoted investment against market value as at the balance sheet date as temporary in nature as the current market value is not reflective of the underlying net tangible assets of the investee company.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

11. INVENTORIES

	GROUP	
	2004	2003
	RM'000	RM'000
At cost		
Property inventories	**64,305**	110,335
Food and beverage	**560**	271
Others	**795**	758
	65,660	111,364
At net realisable value		
Property inventories	**700**	500
	66,360	111,864

The cost of property inventories recognised as cost of sales during the financial year in the Group amounted to RM46,030,000 (2003: RM8,950,000).

Property inventories of RM64,152,000 (2003: RM110,181,000) have been pledged to a financial institution for banking facilities granted to a subsidiary company as disclosed in Note 22.

12. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	GROUP	
	2004	2003
	RM'000	RM'000
Contract cost incurred todate	**15,210**	8,187
Attributable profit	**4,121**	2,021
	19,331	10,208
Less: Progress payments received and receivable	**(20,201)**	(10,331)
	(870)	(123)
Amount due from contract customers	**–**	43
Amount due to contract customers	**(870)**	(166)
	(870)	(123)
Contract revenue recognised as revenue	**10,018**	10,258
Contract costs recognised as cost of sales	**8,086**	8,227

13. INVESTMENTS

	GROUP	
	2004	2003
	RM'000	RM'000
At cost:		
Unquoted shares in Malaysia	**48**	48
Quoted shares in Malaysia	**27,752**	27,752
	27,800	27,800
Accumulated impairment losses	**(18,747)**	(18,007)
	9,053	9,793
Market value of quoted shares	**9,019**	9,759

14. DEVELOPMENT PROPERTIES

	GROUP	
	2004	2003
	RM'000	RM'000
At cost:		
Freehold land	**24,746**	24,746
Long leasehold land	**1,531**	1,844
Development expenditure	**6,007**	6,023
	32,284	32,613

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables (Note (a))	**15,556**	10,583	**–**	–
Provision for doubtful debts	**(118)**	(80)	**–**	–
	15,438	10,503	**–**	–
Other receivables	**10,200**	13,121	**3,434**	4,989
Provision for doubtful debts	**(4,221)**	–	**(1,500)**	–
	5,979	13,121	**1,934**	4,989
Subsidiary companies (Note 7)	**–**	–	**47,735**	124,322
Joint ventures (Note (b))	**13,918**	60,733	**–**	–
Related parties (Note (c))	**596**	538	**253**	–
	35,931	84,895	**49,922**	129,311

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

15. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Included in trade receivables of the Group is retention sum of RM375,000 (2003: RM364,000).

(b) Amounts due from joint ventures of the Group of RM13,918,000 (2003: RM6,294,000) bear interest at rates ranging from 7.25% to 7.5% (2003: 7.25% to 7.65%) per annum.

(c) Related parties in these financial statements refer to related companies of Hong Leong Company (Malaysia) Berhad, the ultimate holding company of a substantial shareholder of the Group.

All other amounts due from related parties are interest free, unsecured and have no fixed terms of repayment.

The Group's normal trade credit term ranges from 7 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

16. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Deposits placed with licensed banks	**11,246**	2,754	**320**	800
Cash and bank balances	**7,116**	4,251	**143**	61
	18,362	7,005	**463**	861
Of which amounts placed with a related party:				
– deposits	**5,150**	450	**–**	–
– bank balances	**4,843**	3,572	**–**	–

Included in deposits placed with licensed banks of the Group is an amount of RM4,924,000 (2003: RM677,000) pledged in favour of certain financial institutions as a security for the repayment of a subsidiary company's term loan as disclosed in Note 22.

The weighted average effective interest rates of deposits placed with licensed banks of the Group and of the Company at the balance sheet date are 2.40% (2003: 2.39%) and 2.00% (2003: 2.20%) respectively.

The average maturities of deposits placed with licensed banks of the Group and of the Company as at the end of the financial year are 10 days (2003: 18 days) and 2 days (2003: 5 days) respectively.

17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**15,628**	12,418	**–**	–
Associated company	**648**	602	**–**	–
Joint ventures (Note 21)	**1,398**	854	**1,398**	–
Related parties	**506**	661	**–**	30
Other payables	**22,604**	37,959	**2,800**	2,478
	40,784	52,494	**4,198**	2,508

An amount owing to an associated company of RM562,000 (2003: RM509,000) bears interest at 2% (2003: 2%) per annum and is unsecured and has no fixed terms of repayment. The amount owing to related parties is unsecured, interest-free and has no fixed terms of repayment.

The normal credit term granted by the trade payables range from 30 to 60 days.

Included in other payables is an amount of RM8,615,000 (2003: RM16,632,000) representing accrual for development cost.

18. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Secured				
Term loans and guaranteed revolving underwriting facility (Note 22)	**17,082**	159,500	**11,438**	–
Bank overdraft	**4,777**	4,963	**–**	–
	21,859	164,463	**11,438**	–
Unsecured				
Bank overdrafts	**1,286**	4,594	**138**	2
Revolving credits	**20,000**	65,000	**20,000**	57,500
Term loans (Note 22)	**–**	8,000	**–**	8,000
Other loan (Note 22)	**–**	9,000	**–**	9,000
	21,286	86,594	**20,138**	74,502
	43,145	251,057	**31,576**	74,502

The secured bank overdraft of the Group are secured by a second legal charge over the long term leasehold land and a second fixed and floating charge over the assets of a subsidiary company. Bank overdrafts bear effective interest at rates ranging from 7.00% to 8.25% (2003: 7.00% to 8.65%) per annum.

The revolving credits bear effective interest at rates ranging from 4.00% to 6.00% (2003: 4.00% to 6.15%) per annum.

The details of the term loans are disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

19. SHARE CAPITAL

	Ordinary shares of RM0.50 each			
	2004	2003	**2004**	2003
	No. of shares	No. of shares	**Amount**	Amount
	RM'000	RM'000	**RM'000**	RM'000
Authorised	**3,000,000**	3,000,000	**1,500,000**	1,500,000
Issued and fully paid	**700,458**	700,458	**350,229**	350,229

The Company issued 70,045,522 detachable warrants on 7 September 1995 in conjunction with its issue of redeemable bank guaranteed bonds which had since expired in October 2000. The warrants are constituted by a Deed Poll and entitle the registered holder to subscribe for one ordinary share of RM0.50 each in the Company at an exercise price of RM3.05 per share for every warrant held. The original exercise period of the warrants which expired on 1 April 2000 was extended for a further five years and six months to 1 October 2005. During the year, none of the outstanding 70,042,322 (2003: 70,042,322) warrants were exercised.

The shareholders of the Company approved the implementation of the Executive Share Option Scheme ("ESOS" or "the Scheme") at the Extraordinary General Meeting held on 14 December 1999. In the previous financial year, shareholders approved the proposal to extend the duration of the Scheme for an additional period of 5 years from 24 December 2004 up to and including 24 December 2009 and to amend the Bye-Laws of the Scheme to, inter-alia, incorporate revisions to the Securities Commission's Guidelines in relation to employee share option scheme, introduce new performance criteria as a basis for prime value options to key executives and provide flexibility to the Company to issue new shares and/or transfer existing shares to option holders upon the exercise of their options. The number of options outstanding at 30 June 2004 amounted to 1,162,000 (2003: 1,162,000). None of the options were exercised during the year.

The main features of the ESOS are, inter alia, as follows:

(1) Eligible executives are those executives (including full-time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full-time executive directors had been approved by the shareholders of the Company in a general meeting.
(2) The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company for the time being.
(3) The Scheme shall be in force for a period of ten (10) years from 24 December 1999.
(4) The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.50 each.
(5) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.
(6) The options granted to eligible executives will lapse when they are no longer in employment of the Group.

20. RESERVES

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable:				
Share premium	**35,089**	35,089	**35,089**	35,089
Exchange reserve	**8,059**	8,343	**–**	–
Merger reserve	**–**	–	**68,219**	68,219
	43,148	43,432	**103,308**	103,308
Distributable:				
Retained profit	**351,505**	320,176	**53,730**	46,487
	394,653	363,608	**157,038**	149,795

For the Company, the premium arising on the shares issued in respect of the subsidiary companies accounted for under the merger method of accounting is credited to the merger reserve account in accordance with the relief granted by Section 60(4) of the Companies Act, 1965.

The entire exchange reserve arose from the translation of financial statements of foreign subsidiary companies.

Based on the estimated tax credits available, the entire retained profit of the Company is available for distribution by way of dividend without incurring additional tax liability.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2004, of 2% less 28% taxation on 700,458,418 ordinary shares of RM0.50 each, amounting to a total dividend payable of RM5,043,300 (0.72 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2005.

21. AMOUNTS DUE TO JOINT VENTURES (UNSECURED)

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
As at 30 June	**1,398**	8,116	**1,398**	7,262
Amount repayable within 12 months (Note 17)	**(1,398)**	(854)	**(1,398)**	–
	–	7,262	**–**	7,262

Included in the amounts due to the joint ventures of the Group and of the Company is an amount of RM1,398,000 (2003: RM7,262,000) which bears interest at 7.5% (2003: 6.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

22. LONG TERM BORROWINGS

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Term loans				
– secured	**295,145**	198,500	**111,000**	161,000
– unsecured	**–**	8,000	**–**	8,000
	295,145	206,500	**111,000**	169,000
Other loan – unsecured	**–**	9,000	**–**	9,000
Guaranteed revolving underwriting facility ("GRUF") – secured	**–**	157,000	**–**	–
	295,145	372,500	**111,000**	178,000
Less: Amounts repayable within 12 months (Note 18)				
– term loans – secured	**(17,082)**	(2,500)	**(11,438)**	–
– GRUF – secured	**–**	(157,000)	**–**	–
– term loans – unsecured	**–**	(8,000)	**–**	(8,000)
– other loan – unsecured	**–**	(9,000)	**–**	(9,000)
	278,063	196,000	**99,562**	161,000
The borrowings outstanding are repayable as follows:				
1 year after balance sheet date	**17,082**	176,500	**11,438**	17,000
More than 1 year but not later than 2 years	**50,754**	34,938	**15,250**	31,438
More than 2 years but not later than 5 years	**135,009**	111,500	**80,500**	90,500
More than 5 years	**92,300**	49,562	**3,812**	39,062
	295,145	372,500	**111,000**	178,000

During the year, the Group refinanced the repayment of the GRUF by way of drawing down new term loan of RM155 million.

The term loans of the Group and of the Company are secured by legal charges on certain property, plant and equipment, investment properties and property inventories as disclosed in Notes 3, 4, 11 and 16 to the financial statements as well as fixed and floating charges on assets of certain subsidiary companies.

The term loans are repayable over the period from 1997 to 2010 and bear interest at rates ranging from 4.25% to 8.00% (2003: 4.75% to 8.15%) per annum.

23. DEFERRED TAXATION

	GROUP	
	2004	2003
	RM'000	RM'000
At 1 July	**1,343**	1,361
Recognised in the income statement (Note 28)	**(431)**	(18)
Recognised in equity	**324**	–
At 30 June	**1,236**	1,343
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(2,003)**	(1,766)
Deferred tax liabilities	**3,239**	3,109
	1,236	1,343

The components and movements of Group's deferred tax liabilities and assets during the financial year are as follows:

Deferred Tax Liabilities of the Group

	Translation Differences RM'000	**Accelerated Capital Allowances RM'000**	**Total RM'000**
At 1 July 2003	–	3,109	3,109
Recognised in the income statement	–	(194)	(194)
Recognised in equity	324	–	324
At 30 June 2004	324	2,915	3,239
At 1 July 2002	–	3,306	3,306
Recognised in the income statement	–	(197)	(197)
At 30 June 2003	–	3,109	3,109

Deferred Tax Assets of the Group

	Unutilised Capital Allowances RM'000
At 1 July 2003	(1,766)
Recognised in the income statement	(237)
At 30 June 2004	(2,003)
At 1 July 2002	(1,945)
Recognised in the income statement	179
At 30 June 2003	(1,766)

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

23. DEFERRED TAXATION (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Unabsorbed tax losses	**9,572**	9,646	**160**	160
Unutilised capital allowances	**29,310**	29,484	**–**	–
Unutilised investment tax allowance	**34,101**	34,101	**–**	–
	72,983	73,231	**160**	160

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiary companies in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiary companies in the Group and they have arisen in subsidiary companies that have a recent history of losses.

24. REVENUE

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Contract revenue	**10,018**	10,258	**–**	–
Sale of properties	**56,935**	24,290	**–**	–
Rental of properties	**13,781**	17,056	**–**	–
Room rental	**44,117**	38,646	**–**	–
Others	**549**	2,005	**–**	–
Proceeds from disposal of a subsidiary company	**12,634**	–	**–**	–
Proceeds from disposal of a joint venture	**61,757**	–	**–**	–
Dividends received	**–**	–	**24,000**	16,030
Management fees	**–**	–	**871**	–
	199,791	92,255	**24,871**	16,030

The proceeds from disposal of investments in a subsidiary company and a joint venture have been included as part of revenue as the disposals are deemed to be disposals of the Group's investment properties.

25. PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Revenue	**199,791**	92,255	**24,871**	16,030
Cost of sales	**(138,939)**	(66,947)	**–**	–
Gross profit	**60,852**	25,308	**24,871**	16,030
Other operating income	**1,089**	954	**–**	–
Distribution costs and marketing expenditures	**(1,989)**	(1,929)	**–**	–
Administration expenses	**(18,610)**	(9,170)	**(3,625)**	(214)
Other operating expenses	**(2,484)**	(2,512)	**(1,648)**	(996)
	38,858	12,651	**19,598**	14,820

Cost of sales comprise of contract costs, property inventories, building expenses, hotel expenses, investments in a subsidiary company and a joint venture.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration				
– statutory audit	**137**	137	**50**	50
Bad debts written off	**–**	4,203	**–**	–
Depreciation	**6,688**	4,912	**38**	37
Directors' emoluments	**727**	683	**50**	50
Directors' fees	**246**	276	**241**	274
Loss on disposal of a subsidiary company	**–**	77	**–**	–
Office rental	**147**	144	**102**	–
Property, plant and equipment written off	**–**	4,956	**–**	–
Provision for diminution in value of short term investments	**740**	3,198	**–**	–
Provision for doubtful debts	**4,259**	–	**1,500**	–
Retirement benefit	**49**	52	**–**	–
Retrenchment cost	**2**	17	**–**	–
Staff costs	**10,518**	9,351	**1,382**	51
and crediting:				
Gain on disposal of property, plant and equipment	**–**	312	**–**	–
Gain on disposal of a joint venture	**28,372**	–	**–**	–
Gain on disposal of a subsidiary company	**1,033**	–	**–**	–
Gross dividends from				
– subsidiary companies	**–**	–	**24,000**	14,910
– joint venture	**1,197**	1,120	**–**	1,120
– short term investment	**–**	10	**–**	–
Provision for doubtful debts written back	**–**	5,804	**–**	–
Realised gain on foreign exchange	**–**	602	**–**	–

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

25. PROFIT FROM OPERATIONS (cont'd)

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Staff costs are analysed as follows:				
Wages and salaries	**8,062**	7,105	**999**	6
Social security costs	**59**	45	**6**	–
Defined contribution plans	**1,053**	1,112	**109**	–
Defined benefit plan	**182**	(51)	**182**	–
Other staff related expenses	**1,162**	1,140	**86**	45
	10,518	9,351	**1,382**	51

26. INTEREST INCOME

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Interest income from:				
– related parties	**941**	1,159	**–**	–
– subsidiary companies	**–**	–	**8,865**	12,776
– others	**425**	502	**128**	13
	1,366	1,661	**8,993**	12,789

27. FINANCE COSTS

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Interest expense				
– loans	**22,620**	27,276	**13,222**	17,489
– subsidiary companies	**–**	–	**1,259**	1,841
– associated company	**11**	13	**–**	–
– joint ventures	**274**	780	**274**	780
– others	**1,119**	2,598	**558**	1,938
	24,024	30,667	**15,313**	22,048

28. TAXATION

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Tax expense for the year:				
Malaysian income tax	**4,972**	5,360	**4,711**	2,194
Foreign tax	**9**	13	**–**	–
Deferred tax (Note 23)	**(431)**	(18)	**–**	–
	4,550	5,355	**4,711**	2,194
(Over)/under provision in prior years:				
Malaysian income tax	**(1,070)**	3,269	**(1,198)**	227
	3,480	8,624	**3,513**	2,421

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2004	2003
	RM'000	RM'000
Group		
Profit before taxation	**36,957**	10,725
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	**10,348**	3,003
Income not subject to tax	**(9,390)**	(593)
Expenses not deductible for tax purposes	**1,966**	2,567
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(1,227)**	(2,908)
Non-availability of group relief	**2,853**	3,286
(Over)/under provision of income tax in prior years adjusted in current year	**(1,070)**	3,269
	3,480	8,624
Company		
Profit before taxation	**13,278**	5,561
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	**3,718**	1,557
Expenses not deductible for tax purposes	**993**	637
(Over)/under provision of income tax in prior years adjusted in current year	**(1,198)**	227
	3,513	2,421

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

28. TAXATION (cont'd)

The Group and the Company's unutilised tax losses, capital allowances and investment tax allowances are analysed as follows:

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Unabsorbed tax losses	**34,185**	34,450	**571**	571
Unutilised capital allowances	**104,679**	105,300	**–**	–
Unutilised investment tax allowances	**121,789**	121,789	**–**	–
	260,653	261,539	**571**	571

29. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of the basic earnings per share for the Group is based on profit attributable to ordinary shareholders of RM33,851,000 (2003: RM6,155,000) on a weighted average of 700,458,418 (2003: 700,458,418) number of ordinary shares in issue during the year.

(ii) Diluted earnings per share

No diluted earnings per share is disclosed due to the anti-dilutive effect of share options and warrants.

30. DIVIDEND

	Amount		Net Dividend per Share	
	2004	2003	**2004**	2003
	RM'000	RM'000	**Sen**	Sen
Dividend paid				
Final of 1% (2003: 2%) less 28% income tax	**2,522**	5,043	**0.36**	0.72
Dividend proposed				
Final of 2% (2003: 1%) less 28% income tax	**5,043**	2,522	**0.72**	0.36

31. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Unsecured				
Guarantees given to financial institution for credit facilities granted to a subsidiary company	**–**	–	**17,000**	18,000
Undertaking given to financial institution for credit facilities granted to a joint venture	**56,566**	56,566	**–**	–

In the previous financial year, a creditor of a subsidiary company initiated legal proceedings to claim RM7.3 million from the said subsidiary company for breach of contract and related finance charges. However, the directors are of the opinion that the claim is without full merit and the subsidiary company will defend the claim vigorously. The case has yet to be settled as at the date of this report.

32. COMMITMENTS

	GROUP	
	2004	2003
	RM'000	RM'000
Capital commitment		
– approved and contracted for	**–**	213

33. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management objectives seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, credit, liquidity and foreign exchange risks. The Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group and the Company manage its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

(c) Effective interest rates and repricing analysis

The effective interest rates of the interest-earning financial assets and interest-bearing financial liabilities of the Group and the periods in which they will be repriced or mature, are as follows:

	Effective Interest Rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
The Group					
Financial assets					
Deposits	2.40	11,246	11,246	–	–
Amounts due from joint ventures	7.25 to 7.50	13,918	13,918	–	–
Financial liabilities					
Borrowings					
– Floating rate	5.09	264,208	33,645	148,263	82,300
– Fixed rate	7.14	57,000	9,500	37,500	10,000
Amounts due to joint ventures	7.50	1,398	1,398	–	–
Company					
Financial assets					
Deposits	2.00	320	320	–	–
Amounts due from subsidiary companies	7.50	95,469	47,735	47,734	–
Financial Liabilities					
Borrowings					
– Floating rate	6.37	91,138	24,076	65,750	1,312
– Fixed rate	6.88	40,000	7,500	30,000	2,500
Amounts due to subsidiary companies	3.00 to 8.00	25,338	–	25,338	–
Amounts due to joint ventures	7.50	1,398	1,398	–	–

(d) Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposures to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

33. FINANCIAL INSTRUMENTS (cont'd)

(e) Liquidity Risk

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements.

(f) Foreign Exchange Risk

The Group is not exposed to significant foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia (RM).

(g) Fair Values

The carrying amounts of the financial assets and liabilities of the Group as at 30 June 2004 approximate their fair values except as set out below:

	GROUP	
	Carrying Amount RM'000	Fair Value RM'000
Financial Liabilities		
Term Loans	17,000	17,089

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings
The carrying amounts approximate fair values due to the relatively short term maturity of the financial instruments.

(ii) Quoted share investments
The fair values of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Amount due from/to Joint Ventures, Related Parties and Subsidiary Companies
It is not practical to estimate the fair values of amounts due from/to joint ventures, related parties and subsidiary companies due to no fixed repayment terms entered into between the parties.

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are:

	Group		Company	
	Nominal/ Notional Amount RM'000	Fair Value RM'000	Nominal/ Notional Amount RM'000	Fair Value RM'000
Contingent liabilities	56,566	56,566	17,000	17,089

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

34. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of company	Country of incorporation	Effective equity interest 2004 %	Effective equity interest 2003 %	Principal activities
Guoman Hotel & Resort Holdings Sdn. Bhd. ("GHRH") and its subsidiary companies:	Malaysia	**70**	70	Investment holding
+*PD Resort Sdn. Bhd.	Malaysia	**70**	70	Property investment and development and hotel operations
Kiapeng Development Sdn. Bhd.	Malaysia	**70**	70	Property development and property investment
* Guoman Hotels Limited and its subsidiary companies:	Bermuda	**70**	70	Investment holding
*Guoman (Hanoi) Limited and its subsidiary company:	Jersey, Channel Islands	**70**	70	Investment holding
*HLL-Guoco Vietnam Co. Limited	Vietnam	**52**	52	Hotel operations
*Guoman Philippines, Inc.	Philippines	**70**	70	Investment holding
JB Parade Sdn. Bhd. and its subsidiary company:	Malaysia	**42**	42	Investment holding and hotel operations
JB Parade Condominium Sdn. Bhd.	Malaysia	**42**	42	Property development
#Bedford Credit & Leasing Sdn. Berhad	Malaysia	**100**	100	In members' voluntary liquidation
Bedford Development Sdn. Bhd. and its subsidiary companies:	Malaysia	**100**	100	Investment holding and property development
Hong Leong Housing Sdn. Bhd. and its subsidiary company:	Malaysia	**100**	100	Provision of construction management services
#Rasa Makmur Sdn. Bhd.	Malaysia	**100**	100	In members' voluntary liquidation
+Bedford Industrial Development Sdn. Bhd.	Malaysia	**100**	100	Property development
+*Pembinaan Sri Jati Sdn. Berhad and its subsidiary company:	Malaysia	**100**	100	Investment holding and property development
* Treacher Development Sdn. Bhd.	Malaysia	**–**	70	Property development

34. SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Effective equity interest 2004 %	2003 %	Principal activities
#*Bedford Ferringhi Resort (Penang) Sdn. Bhd.	Malaysia	**100**	100	In members' voluntary liquidation
#* Evergreen Direction Sdn. Bhd.	Malaysia	**100**	100	In members' voluntary liquidation
#* Guoland Sdn. Bhd.	Malaysia	**100**	100	In members' voluntary liquidation
Hong Leong Real Estate Holdings Sdn. Bhd. and its subsidiary companies:	Malaysia	**100**	100	Investment holding
*Bedford Land Sdn. Bhd. and its subsidiary companies:	Malaysia	**100**	100	Investment property holding and property investment
BLV Fashions Sdn. Bhd.	Malaysia	**100**	100	Property investment
*Guobena Development Sdn. Bhd.	Malaysia	**100**	100	Property investment
HL Bandar Sdn. Bhd.	Malaysia	**100**	100	Property investment
Oritwo Sdn. Bhd.	Malaysia	**100**	100	In the process of being deregistered
Orithree Sdn. Bhd.	Malaysia	**100**	100	Property investment
Orifour Sdn. Bhd.	Malaysia	**100**	100	Property investment
Orifive Sdn. Bhd.	Malaysia	**100**	100	Property investment
#Resource Properties Sdn. Bhd.	Malaysia	**100**	100	In members' voluntary liquidation
#Bedford Excel Venture Sdn. Bhd.	Malaysia	**100**	100	In members' voluntary liquidation
HLP Equities Sdn. Bhd.	Malaysia	**100**	100	Investment holding
Bedford Leisure Ventures Sdn. Bhd. and its subsidiary companies:	Malaysia	**100**	100	In members' voluntary liquidation
#BLV Cantonese Restaurant Co. Sdn. Bhd.	Malaysia	**–**	100	Dissolved by members' voluntary liquidation
#BLV Entertainment Sdn. Bhd.	Malaysia	**100**	100	In members' voluntary liquidation
#Noble Image Sdn. Bhd.	Malaysia	**–**	100	Dissolved by members' voluntary liquidation

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

34. SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Effective equity interest 2004 %	Effective equity interest 2003 %	Principal activities
* HLL Overseas Limited	Jersey, Channel Islands	**100**	100	Investment holding and trading in securities
* Hong Leong Real Estate Management Sdn. Bhd.	Malaysia	**100**	100	Provision of management services

* Not audited by Ernst & Young or its associates.

\+ Subsidiaries consolidated under merger method of accounting. Merger method of accounting on PD Resort Sdn. Bhd. has been applied at GHRH level.

\# The financial statements of these companies were not audited as they are in members' voluntary liquidation.

35. JOINT VENTURES

The details of joint ventures are as follows:

Name of joint venture	Country of incorporation	Effective equity interest 2004 %	Effective equity interest 2003 %	Principal activities
Putrajaya Properties Sdn. Bhd. and its subsidiary companies:	Malaysia	**50**	50	Investment holding
Sabna Development Sdn. Bhd.	Malaysia	**50**	50	Property development
HLP Bina Sdn. Bhd.	Malaysia	**50**	50	Property construction
Vintage Heights Sdn. Bhd.	Malaysia	**40**	40	Property development and operation of an oil palm estate
Positive Properties Sdn. Bhd.	Malaysia	**50**	50	Property investment
Oriland Sdn. Bhd. and its subsidiary company:	Malaysia	**–**	50	Investment holding and property investment
Orione Sdn. Bhd.	Malaysia	**–**	50	Property investment
Continental Estates Sdn. Bhd.	Malaysia	**50**	50	Property development and operation of an oil palm estate
Bedford Damansara Heights Development Sdn. Bhd. and its subsidiary companies:	Malaysia	**50**	50	Investment holding and property investment
Promakmur Development Sdn. Bhd.	Malaysia	**50**	50	Property development
* Kota Selatan Indah Sdn. Bhd.	Malaysia	**50**	50	Property development

* Not audited by Ernst & Young or its associates.

36. SEGMENT INFORMATION

The Group is organised into three major business segments:

(i) Property investment and development – the development of residential properties for sale and commercial properties for sale and rental;

(ii) Hotels – management and operations of hotels; and

(iii) Plantation – operation of oil palm estates and sale of fresh fruit bunches.

Other business segments include provision of management services and trading securities, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent parties.

36. SEGMENT INFORMATION (cont'd)

	Property Investment & Development		Hotels		Plantation		Others		Elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Revenue												
External sales	**155,125**	51,608	**44,117**	38,646	**–**	–	**549**	2,001	**–**	–	**199,791**	92,255
Inter-segment sales	**–**	–	**–**	–	**–**	–	**322**	666	**(322)**	(666)	**–**	–
Total revenue	**155,125**	51,608	**44,117**	38,646	**–**	–	**871**	2,667	**(322)**	(666)	**199,791**	92,255
Results												
Segment results	**39,596**	8,585	**5,688**	879	**–**	–	**(1,538)**	(1,930)	**–**	–	**43,746**	7,534
Unallocated corporate income/(expenses)											**(4,888)**	5,117
Profit from operations											**38,858**	12,651
Interest income											**1,366**	1,661
Finance cost											**(24,024)**	(30,667)
Share of result of associated company	**–**	–	**–**	–	**–**	–	**(7)**	13	**–**	–	**(7)**	13
Share of results of joint ventures	**18,511**	25,764	**–**	–	**2,253**	1,303	**–**	–	**–**	–	**20,764**	27,067
Taxation											**(3,480)**	(8,624)
Profit after taxation											**33,477**	2,101
Minority interests											**374**	4,054
Net profit for the year											**33,851**	6,155

36. SEGMENT INFORMATION (cont'd)

	Property Investment & Development		Hotels		Plantation		Others		Elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Assets												
Segment assets	**531,431**	608,945	**172,841**	176,367	**–**	–	**11,099**	15,680	**(34)**	(1,026)	**715,337**	799,966
Investments in equity method of associated company	**–**	–	**876**	1,221	**–**	–	**–**	–	**–**	–	**876**	1,221
Other investments	**–**	–	**–**	–	**–**	–	**25,978**	–	**–**	–	**25,978**	–
Investments in equity method of joint ventures	**204,366**	210,265	**–**	–	**167,119**	177,721	**–**	–	**–**	–	**371,485**	387,986
Unallocated corporate assets											**42,177**	84,770
Consolidated total assets											**1,155,853**	1,273,943
Liabilites												
Segment liabilities	**29,122**	40,917	**7,222**	8,233	**–**	–	**201**	933	**(34)**	(1,026)	**36,511**	49,057
Unallocated corporate liabilities											**328,399**	459,474
Consolidated total liabilities											**364,910**	508,531
Other Information												
Capital expenditure	**34**	609	**877**	1,843	**–**	–	**30**	1,284	**–**	–	**941**	3,736
Depreciation	**3,305**	3,342	**2,448**	707	**–**	–	**935**	863	**–**	–	**6,688**	4,912
Non-cash expenses other than depreciation, amortisation and impairment losses	**–**	–	**(1,759)**	–	**–**	–	**(3,240)**	(3,198)	**–**	–	**(4,999)**	(3,198)

Segmental reporting by geographical location has not been presented as the Group's operations are substantially carried out in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The related parties and their relationships with the Group are as follows:

Related parties	Relationships
Hong Leong Credit Berhad and subsidiary companies as disclosed in its financial statements	Subsidiary companies of Hong Leong Company (Malaysia) Berhad ("HLCM")
HLCM Capital Sdn. Bhd. (formerly known as Hong Leong Management Co Sdn. Bhd.) and subsidiary companies as disclosed in its financial statements	Subsidiary companies of HLCM
Hong Leong Share Registration Services Sdn. Bhd. (formerly known as Hong Leong Nominees Sendirian Berhad)	Subsidiary company of HLCM
M&E Hexatech Sdn. Bhd. and subsidiary company as disclosed in its financial statements	Subsidiary companies of HLCM
Hong Leong Property Management Co Sdn. Bhd.	Subsidiary company of HLCM
Guoman International Sdn. Bhd.	Subsidiary company of HLCM
Hume Industries (Malaysia) Berhad and subsidiary companies as disclosed in its financial statements	Subsidiary companies of HLCM
Hong Leong Industries Berhad and subsidiary companies as disclosed in its financial statements	Subsidiary companies of HLCM
GuocoLand Limited and subsidiary companies as disclosed in its financial statements	Subsidiary companies of HLCM
Putrajaya Properties Sdn. Bhd. and subsidiary companies as disclosed in its financial statements	Joint ventures in which certain Directors have interests
Vintage Heights Sdn. Bhd.	Joint venture in which certain Directors have interests
Continental Estates Sdn. Bhd.	Joint venture in which certain Directors have interests
Bedford Damansara Heights Development Sdn. Bhd. and subsidiary companies as disclosed in its financial statements	Joint ventures in which certain Directors have interests
Positive Properties Sdn. Bhd.	Joint venture in which certain Directors have interests

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(b) Related Party Transactions

	GROUP	
	2004	2003
	RM'000	RM'000
Rental income received	**5,841**	9,022
Property management and marketing fees paid	**616**	1,804
Hotel room rental received	**358**	511
Insurance premium paid	**452**	606
Hotel management services fees paid	**1,318**	1,119
Management services received from joint ventures	**532**	845
Security services paid	**351**	375
Progress billings received/receivable from joint ventures in which certain Directors have interests	**–**	840

The directors are of the opinion that the related party transactions are in the normal course of business and have been established under terms that are no less favourable than those arranged with independent parties.

38. SIGNIFICANT EVENTS DURING THE YEAR

(a) Disposal of a subsidiary company

On 21 July 2003, the Group completed the disposal of the Group's entire 70% equity interest in Treacher Development Sdn. Bhd. giving rise to a gain on disposal of approximately RM1.03 million to the Group. The sale and purchase agreement of the said disposal was entered on 18 March 2002 between Pembinaan Sri Jati Sdn. Berhad ("PSJ"), an indirect wholly-owned subsidiary company of the Company, and Pasdec Corporation Sdn. Bhd., a wholly-owned subsidiary company of Pasdec Holdings Berhad ("Pasdec"). The disposal consideration of RM12,634,434 was satisfied by the issuance of 12,634,000 new ordinary shares of RM1.00 each in Pasdec at an issue price of RM1.00 per Pasdec share to PSJ and the balance was satisfied by cash.

(b) Disposal of equity interest in a joint venture company

During the year, the Group disposed of its entire 50% equity interest in Oriland Sdn. Bhd. ("Oriland") for a total cash consideration of RM61,756,985 to Sagu Mestika Sdn. Bhd. which held the other 50% equity interest in Oriland. The sale resulted in a gain on disposal of RM28.4 million being recognised in the Group's financial statements. The said disposal was completed on 12 February 2004 (the "Completion Date").

Oriland had redeemed the Group's investment in the 13,300,775 cumulative redeemable preference shares ("CRPS") amounted to RM13,300,775. The said CRPS redemption amount was paid on the Completion Date. The Group also received a net dividend payment amounted to RM861,890 in respect of its 13,300,775 CRPS on the same day.

(c) Change in substantial shareholder

During the year, the Company became an associated company of GuocoLand Limited ("GLL"), a company incorporated in Singapore. As at the year end, GLL has an indirect equity interest of 41.71% in the Company.

NOTES TO THE FINANCIAL STATEMENTS – 30 June 2004 (cont'd)

39. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 5 August 2004, the Company announced that:

(i) its indirect wholly-owned subsidiary, Bedford Land Sdn. Bhd., had acquired 2 ordinary shares of RM1.00 each fully paid representing the entire equity interest in Prophills Development Sdn. Bhd. for a cash consideration of RM2.00; and

(ii) Prophills Development Sdn. Bhd. had entered into a conditional Sale and Purchase Agreement with Bedford Damansara Heights Development Sdn. Bhd. ("Bedford Damansara"), a 50% associated company of Bedford Land Sdn. Bhd., to acquire an office building known as HP Towers (formerly known as Wisma Semantan) from Bedford Damansara for a cash consideration of RM103,823,400.

STATEMENT BY DIRECTORS Pursuant to Section 169(15) of the Companies Act, 1965

We, KWEK LENG SENG and TAN MING HUAT, being two of the directors of HONG LEONG PROPERTIES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 22 to 66 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

KWEK LENG SENG

TAN MING HUAT

Kuala Lumpur
23 August 2004

STATUTORY DECLARATION Pursuant to Section 169(16) of the Companies Act, 1965

I, CHAN WAN LEONG, being the Officer primarily responsible for the financial management of HONG LEONG PROPERTIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 22 to 66 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed CHAN WAN LEONG
at Kuala Lumpur in the Federal
Territory on 23 August 2004

CHAN WAN LEONG

Before me,

TEONG KIAN MENG
Pesuruhjaya Sumpah
Commissioner for Oaths

REPORT OF THE AUDITORS

To the Members of Hong Leong Properties Berhad
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 22 to 66. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company at 30 June 2004 and of the results and cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 34 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/05(J)
Partner

Kuala Lumpur
23 August 2004

OTHER INFORMATION

PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2004

Tenure	Location	Approximate Net Lettable/ Land* Area (sq. ft.)	Approximate Age (Years)	Net Book Value (RM'000)	Date of Acquisition/ *Date of Revaluation/ **Date Certificate of Fitness obtained
Freehold	**Bangunan Hong Leong** Land with a 16-storey office building at No. 117 Jalan Tun H.S. Lee 50000 Kuala Lumpur Fair Value: RM37,605,000	92,561	29	36,861	7/12/92
Freehold	**HP Towers (formerly known as Wisma Semantan)** Land with office building (9 and 21-storey tower blocks) at No. 12, Jalan Gelenggang Damansara Heights 50490 Kuala Lumpur Fair Value: RM133,240,000	346,078	12	132,139	*25/5/01 **9/3/93
Freehold	**Menara Pandan C & D** Two 10-storey office tower blocks at Persiaran MPAJ Jalan Pandan Utama Pandan Indah 55100 Kuala Lumpur Fair Value: RM56,976,000	356,100	7	56,988	**19/1/98
Freehold	**Menara HLA** Land with a 32-storey office building at No. 3 Jalan Kia Peng 50450 Kuala Lumpur Fair Value: RM225,500,000	410,000	4	178,431	**9/7/99
Freehold	Vacant land in the vicinity of the Damansara Town Centre Kuala Lumpur	8.4 acres*	–	145,690	9/11/94
Freehold	Vacant land at Lot 29 Section 90 Town of Kuala Lumpur	1.4 acres*	–	23,038	24/11/93

OTHER INFORMATION (cont'd)

PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2004 (cont'd)

Tenure	Location	Approximate Net Lettable/ Land* Area (sq. ft.)	Approximate Age (Years)	Net Book Value (RM'000)	Date of Acquisition/ *Date of Revaluation/ **Date Certificate of Fitness obtained
Leasehold Expiry Date: 10/10/ 2087	**Hyatt Regency Johor Bahru** Land with a 406 room hotel at Lots 17869 & 17870 Jalan Sg. Gelam Off Jalan Sg. Chat District of Johor Bahru Johor Darul Takzim	6.4 acres*	10	79,093	**23/8/94
Freehold	**Guoman Port Dickson** Land with a 256 room hotel resort & 9-hole golf course at Lots 7251, 7253 & 7256 Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus	64.0 acres*	9	61,120	**7/8/96
Leasehold Expiry Date: 19/7/ 2023	**Guoman Hanoi** Land with 151 room hotel at 83A, Ly Thuong Kiet St. Hanoi, Vietnam	0.7 acres*	8	24,411	**18/9/97
Freehold	**Bukit Rahman Putra** Balance land with mixed development in progress in Mukim of Sg. Buloh Selangor Darul Ehsan	37.8 acres*	–	18,169	2/3/93
Freehold	Vacant land in Mukim of Sg. Buloh Selangor Darul Ehsan	9.0 acres*	–	15,257	21/1/97
Freehold	Vacant land at Lot 322 Mukim of Hulu Kelang District of Gombak Selangor Darul Ehsan	11.7 acres*	–	12,254	12/7/90

PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2004 (cont'd)

Tenure	Location	Approximate Net Lettable/ Land* Area (sq. ft.)	Approximate Age (Years)	Net Book Value (RM'000)	Date of Acquisition/ *Date of Revaluation/ **Date Certificate of Fitness obtained
Freehold	Vacant land at Lots 7252 & 7257 Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus	6.7 acres*	–	2,272	26/3/84
Freehold	**Pantai Sepang Putra** Land with development in progress at Mukim of Sepang and Districts of Sepang & Kuala Langat Selangor Darul Ehsan	5,471 acres*	–	220,814	27/3/92
Freehold	Vacant land at Mukim of Jasin Melaka Darul Amin	5,627 acres*	–	345,726	22/5/96
Freehold	Vacant land at Lot 3059 Mukim of Hulu Kelang District of Gombak Selangor Darul Ehsan	7.5 acres*	–	8,510	15/6/90
Freehold	**Emerald** Land with development in progress at Mukim of Rawang Districts of Gombak & Ulu Selangor Selangor Darul Ehsan	175.4 acres*	–	48,585	11/10/99
Freehold	**Emerald** Land with development in progress at Mukim of Rawang Districts of Gombak & Ulu Selangor Selangor Darul Ehsan	779.0 acres*	–	174,640	31/5/00

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2004

Authorised Share Capital	:	RM1,500,000,000
Issued & Paid-up Capital	:	RM350,229,209
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights		
– On show of hands	:	1 vote
– On a poll	:	1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	246	0.88	9,469	0.00
100 – 1,000	7,052	25.32	6,456,085	0.92
1,001 – 10,000	16,322	58.60	71,644,844	10.23
10,001 – 100,000	3,916	14.06	109,925,230	15.69
100,001 – less than 5% of issued shares	315	1.13	193,130,396	27.57
5% and above of issued shares	2	0.01	319,292,394	45.59
	27,853	100.00	700,458,418	100.00

THIRTY LARGEST SHAREHOLDERS

Names of Shareholders	No. of Shares	%
1. GLL (Malaysia) Pte. Ltd.	277,222,957	39.58
2. Employees Provident Fund Board	42,069,437	6.01
3. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	23,454,000	3.35
4. HLG Nominee (Asing) Sdn. Bhd. – GLL (Malaysia) Pte. Ltd.	15,710,700	2.24
5. AM Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board	14,145,620	2.02
6. Nanyang Press Holdings Berhad	12,011,540	1.71
7. HLG Nominee (Tempatan) Sdn. Bhd. – Chut Nyak Isham Bin Nyak Ariff	7,480,500	1.07
8. AM Nominees (Tempatan) Sdn. Bhd. – Pertubuhan Keselamatan Sosial	7,367,860	1.05
9. Assets Nominees (Asing) Sdn. Bhd. – OYL (BVI) Limited	4,343,000	0.62

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2004 (cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

Names of Shareholders	No. of Shares	%
10. Assets Nominees (Tempatan) Sdn. Bhd. – Hume Plastics (Malaysia) Sdn. Bhd.	3,005,273	0.43
11. Mayban Nominees (Tempatan) Sdn. Bhd. – Tudor Capital Sdn. Bhd.	3,000,000	0.43
12. HLG Nominee (Asing) Sdn. Bhd. – MPI (BVI) Ltd	2,772,100	0.40
13. Citicorp Nominees (Asing) Sdn. Bhd. – DFA Emerging Markets Fund	2,295,741	0.33
14. Chut Nyak Isham Bin Nyak Ariff	2,221,657	0.32
15. Hong Leong Industries Berhad	2,188,500	0.31
16. Scotia Nominees (Asing) Sdn. Bhd. – Lotus Securities Ltd	1,950,000	0.28
17. RHB Capital Nominees (Tempatan) Sdn. Bhd. – Poh Soon Sim	1,924,900	0.27
18. PAB Nominee (Tempatan) Sdn. Bhd. – Quek Leng Chan	1,817,100	0.26
19. Lim Shiu Ho	1,774,200	0.25
20. YBhg Dato' Seri Khalid Ahmad Bin Sulaiman	1,673,200	0.24
21. Citicorp Nominees (Asing) Sdn. Bhd. – Citigroup Global Markets Limited	1,659,960	0.24
22. UOBM Nominees (Asing) Sdn. Bhd. – Tay Yun Chwan Henry	1,554,000	0.22
23. Mayban Securities Nominees (Tempatan) Sdn. Bhd. – Sow Thiam Poh	1,503,600	0.21
24. Chua Holdings Sdn. Bhd.	1,428,465	0.20
25. Hong Bee Hardware Company Sdn. Berhad	1,357,020	0.19
26. Kenanga Nominees (Asing) Sdn. Bhd. – Extra Wealth Ltd	1,300,000	0.19
27. Lembaga Tabung Haji	1,203,000	0.17
28. Suleiman Bin Babjan	1,202,000	0.17
29. Mayban Securities Nominees (Asing) Sdn. Bhd. – William Hsiong	1,179,000	0.17
30. Lim Seng Chee	1,042,800	0.15
	441,858,130	63.08

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2004 (cont'd)

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2004 are as follows:

	Direct		Deemed	
Names of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
1. Hong Leong Company (Malaysia) Berhad	–	–	305,349,612	43.59*A
2. Tan Sri Quek Leng Chan	3,266,280	0.47	305,349,612	43.59*B
3. HL Holdings Sdn. Bhd.	–	–	305,349,612	43.59*B
4. Kwek Leng Beng	1,613,717	0.23	305,349,612	43.59*B
5. Kwek Holdings Pte Ltd	–	–	305,349,612	43.59*B
6. Hong Realty (Private) Limited	–	–	305,349,612	43.59*B
7. Hong Leong Investment Holdings Pte Ltd	–	–	305,349,612	43.59*B
8. Kwek Leng Kee	–	–	305,349,612	43.59*B
9. Davos Investment Holdings Private Limited	–	–	305,349,612	43.59*B
10. Quek Leng Chye	947,530	0.14	305,349,612	43.59*B
11. GLL (Malaysia) Pte Ltd	292,933,657	41.82	–	–
12. GuocoLand Limited	–	–	292,933,657	41.82*C
13. Guoco Investment Pte Ltd	–	–	292,933,657	41.82*C
14. Guoco Group Limited	–	–	292,933,657	41.82*C
15. GuoLine Overseas Limited	–	–	292,933,657	41.82*C
16. GuoLine Capital Assets Limited	–	–	292,933,657	41.82*C
17. Employees Provident Fund Board	56,472,577	8.06	–	–

*A Deemed interest through subsidiary and associated companies
*B Deemed interest through Hong Leong Company (Malaysia) Berhad
*C Deemed interest through GLL (Malaysia) Pte Ltd

3. ANALYSIS OF WARRANTHOLDINGS AS AT 30 AUGUST 2004

No. of 1995/2005 warrants issued	:	70,045,522
No. of 1995/2005 warrants outstanding	:	70,042,322
Voting Rights		
– On show of hands	:	1 vote
– On a poll	:	1 vote for each warrant held

DISTRIBUTION SCHEDULE OF 1995/2005 WARRANTHOLDERS

Size of Holdings	No. of 1995/2005 Warrantholders	%	No. of 1995/2005 Warrants	%
Less than 100	11	0.21	389	0.00
100 – 1,000	2,426	47.25	1,669,975	2.38
1,001 – 10,000	2,014	39.22	8,870,495	12.67
10,001 – 100,000	614	11.96	19,713,880	28.15
100,001 – less than 5% of issued 1995/2005 warrants	69	1.34	15,516,290	22.15
5% and above of issued 1995/2005 warrants	1	0.02	24,271,293	34.65
	5,135	100.00	70,042,322	100.00

THIRTY LARGEST 1995/2005 WARRANTHOLDERS

Names of 1995/2005 Warrantholders	No. of 1995/2005 Warrants	%
1. Hong Leong Fund Management Sdn. Bhd. – Hong Leong Credit Berhad	24,271,293	34.65
2. Mayban Nominees (Tempatan) Sdn. Bhd. – Han Jit Juan	1,101,600	1.57
3. Chut Nyak Isham Bin Nyak Ariff	869,866	1.24
4. Foo Khow Lin	743,000	1.06
5. Suleiman Bin Babjan	648,000	0.92
6. Tan Boon Pi @ Tan Hoy	536,200	0.77
7. Chua Tik Pong	523,300	0.75
8. Mayban Nominees (Tempatan) Sdn. Bhd. – Yeap Gek @ Yeap Poh Chim	465,000	0.66
9. Ma Chay Hong	385,400	0.55
10. Lee Ah Meng	366,000	0.52

3. ANALYSIS OF WARRANTHOLDINGS AS AT 30 AUGUST 2004 (cont'd)

THIRTY LARGEST 1995/2005 WARRANTHOLDERS (cont'd)

Names of 1995/2005 Warrantholders	No. of 1995/2005 Warrants	%
11. HDM Nominees (Tempatan) Sdn. Bhd. – Teh Kok Keong	350,000	0.50
12. HDM Nominees (Asing) Sdn. Bhd. – Tan Ah Tee	341,000	0.49
13. Ooi Tian Khim	320,000	0.46
14. Institute For Development Studies (Sabah)	305,000	0.44
15. Cheah Bee Bee	300,000	0.43
16. Menteri Kewangan Malaysia – Section 29 (SICDA)	292,924	0.42
17. Yap Ching Loon	283,100	0.40
18. Tang Kee Hiong	260,000	0.37
19. Goh Eng Seong	250,600	0.36
20. Lui Khong Mun	250,000	0.36
21. Koh Kwee Choo	240,100	0.34
22. Public Nominees (Tempatan) Sdn. Bhd. – Ngu Tee Ang	239,100	0.34
23. Yeap Teck Chong	234,000	0.33
24. Toh Kun San	206,000	0.29
25. Leong Thien Nyum	200,000	0.29
26. Liom Jiu Thong @ Lim Joo Tong	200,000	0.29
27. Tay Kah Hey	200,000	0.29
28. Kunna Segar A/L Palany	197,800	0.28
29. Koe Hee Teik	181,000	0.26
30. Ng Eng Howe	181,000	0.26
	34,941,283	49.89

4. DIRECTORS' INTERESTS AS AT 30 AUGUST 2004

Subsequent to the financial year end, there is no change as at 30 August 2004 to the Directors' interests in the ordinary shares and/or warrants/options of the Company and/or its related corporations (other than wholly-owned subsidiary companies), appearing in the Directors' report on pages 18 and 19 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	Deemed Interest	
	No. of Ordinary shares/ Warrants*	%
Interest of YBhg Tan Sri Quek Leng Chan in:		
Hong Leong Properties Berhad	305,349,612	43.59
	24,271,320*	34.65

5. MATERIAL CONTRACTS

Save for the following, there were no material contracts (not being contracts entered into the ordinary course of business) which have been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad:

Share Sale Agreement With Sagu Mestika Sdn. Bhd.

Share Sale Agreement dated 12 February 2004 between Hong Leong Real Estate Holdings Sdn. Bhd. ("HLREH"), a wholly-owned subsidiary of the Company, and Sagu Mestika Sdn. Bhd. ("Sagu Mestika") for the disposal of 25,000,000 ordinary shares of RM1.00 each, representing the entire 50% equity interest in Oriland Sdn. Bhd. held by HLREH, to Sagu Mestika for a cash consideration of RM61,756,985 (the "Disposal").

The Company is not aware of any of its Directors, major shareholders or any persons connected to the Directors and major shareholders having any interest, direct or indirect, in the Disposal.

Hong Leong Properties Berhad (300-K)
A Member of the Hong Leong Group Malaysia
(Incorporated in Malaysia)

FORM OF PROXY

I/We _____

of _____

being a member of HONG LEONG PROPERTIES BERHAD, hereby appoint _____

_____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Eighteith Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 19 October 2004 at 3.30 p.m. and at any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

No.	Resolution	For	Against
1.	To receive the Financial Statements and Reports		
2.	To declare a final dividend of 2% less tax		
3.	To approve the payment of Directors' fees		
4.	To re-elect the following as Directors pursuant to the Company's Articles of Association:		
	(a) YBhg Tan Sri Quek Leng Chan	(a)	(a)
	(b) YBhg Dato' Chew Kong Seng	(b)	(b)
	(c) Mr Quek Chee Hoon	(c)	(c)
5.	To re-elect YBhg Tan Sri Dato' (Dr) Abdul Aziz bin Zain as a Director pursuant to Section 129 of the Companies Act, 1965		
6.	To re-appoint Messrs Ernst & Young as Auditors and authorise the Directors to fix their remuneration		
7.	As a special business, to approve the ordinary motion on authority to Directors to issue shares		

Dated this _____ day of _____ 2004.

_____ _____

Number of shares held Signature of Member

NOTES:

1. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
2. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
3. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
6. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.