



國浩集團有限公司 Guoco Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 53)

CONTINUING CONNECTED TRANSACTIONS

The Group has from time to time entered, and may enter in future, into the Banking Transactions with Hong Leong Financial Institutions. The Banking Transactions constitute continuing connected transactions for Guoco under Chapter 14A of the Listing Rules.

The Banking Transactions are subject to an Annual Cap which results in applicable percentage ratios under the Listing Rules being less than 2.5%. Accordingly, the Banking Transactions are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Banking Transactions will be included in Guoco's next published annual report and accounts in compliance with Rules 14A.45 and 14A.46 of the Listing Rules.

BACKGROUND

The Group has from time to time entered, and may enter in future, into the following transactions with Hong Leong Financial Institutions:

(a) Deposits placed by the Group with Hong Leong Financial Institutions

The Group, from time to time, places deposits with many financial institutions worldwide including HLB. The Group may also in future place deposits with HLIB in order to widen its spectrum of providers of banking services. The Group has not placed deposits with HLB previously.

(b) Subscription or purchase by the Group of debt securities issued by Hong Leong Financial Institutions

The Group purchases or subscribes for fixed income and debt securities of financial institutions and other corporations as part of its treasury activities. The Group may in future purchase from the secondary market or subscribe for debt securities issued by Hong Leong Financial Institutions.

The Banking Transactions are part of the treasury activities of the Group in the ordinary and usual course of its business. The treasury functions involve the management of cashflows and cash resources, which the Group conducts with various financial institutions. The Banking Transactions in general comprise short-term cash deposits and investments in liquid instruments, and will be conducted in accordance with the established treasury policies of the Group. The Group engages and will engage in these activities with Hong Leong Financial Institutions on normal commercial terms which are priced based on the relevant market rates at the time of each transaction and are broadly the same as those engaged by the Group with other unconnected financial institutions.

HISTORICAL INFORMATION

The deposits placed by the Group with HLB amounted to approximately US\$116 million (equivalent to approximately HK\$902 million) as at 30 June 2004, US\$75 million (equivalent to approximately HK\$584 million) as at 30 June 2005 and US\$0.6 million (equivalent to approximately HK\$4.7 million) as at 30 June 2006. The maximum aggregate deposits placed by the Group with HLB during the financial year ended 30 June 2004 was approximately US\$195 million (equivalent to approximately HK\$1.52 billion), during the financial year ended 30 June 2005 was approximately US\$133 million (equivalent to approximately HK\$1.03 billion) and during the financial year ended 30 June 2006 was approximately US\$78 million (equivalent to approximately HK\$607 million). The Group does not currently hold any debt securities issued by Hong Leong Financial Institutions and has not purchased or subscribed for any such securities.

ANNUAL CAP

The maximum aggregate outstanding balance of deposits placed with Hong Leong Financial Institutions and the outstanding principal amount in respect of the debt securities issued by Hong Leong Financial Institutions held by the Group as part of the Banking Transactions will not exceed US\$95 million (equivalent to approximately HK\$739 million) or its equivalent in other currencies (the "Annual Cap") for each of three financial years ending 30 June 2009. The basis of the Annual Cap is determined by reference to the Group's level of deposits historically placed with HLB, allowing for the possibility of increasing the amount of such deposits in future as well as the possible future acquisition of debt securities from Hong Leong Financial Institutions (which has not occurred to date). The Annual Cap results in the applicable percentage ratios (as defined under Rule 14A.10(10) of the Listing Rules) being less than 2.5%.

In the event that the maximum amount outstanding under the Banking Transactions would exceed the Annual Cap for any of the three years ending 30 June 2009, Guoco will seek the approval of its independent shareholders under Rule 14A.36(1) for any amount in excess of the Annual Cap.

HONG LEONG FINANCIAL INSTITUTIONS

Hong Leong Financial Institutions are each indirect subsidiaries of HLCM which is a substantial shareholder of Guoco. HLB is a financial institution licensed to carry on banking business in Malaysia, Singapore and Hong Kong and is regulated by the Minister of Finance Malaysia, the Monetary Authority of Singapore and Hong Kong Monetary Authority in the respective jurisdictions. HLIB is a financial institution licensed to carry on Islamic banking in Malaysia and is regulated by the Minister of Finance Malaysia.

REASONS FOR THE BANKING TRANSACTIONS

The Banking Transactions are part of the treasury activities of the Group and are conducted in the ordinary and usual course of its business. The

Group wishes to have the flexibility to enter into the Banking Transactions with Hong Leong Financial Institutions in a manner similar to comparable transactions which it enters with unconnected financial institutions.

The directors of Guoco (including the independent non-executive directors) are of the opinion that the Banking Transactions are, and will be, entered into in the usual and ordinary course of business of Guoco. The Banking Transactions are, and will be, conducted on an arm's length basis and on normal commercial terms. The directors (including the independent non-executive directors) believe that the Banking Transactions are fair and reasonable and in the interests of the Group and the shareholders of Guoco as a whole.

LISTING RULES IMPLICATIONS

Since the Annual Cap results in the applicable percentage ratios (as defined under Rule 14A.10(10) of the Listing Rules) being less than 2.5%, the Banking Transactions are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Banking Transactions will be subject to the annual review by the independent non-executive directors and confirmation by auditors of the Company in accordance with Rules 14A.37 and 14A.38 of the Listing Rules. The Company will also comply with the reporting requirements as set out in Rules 14A.45 to 14A.46 of the Listing Rules.

GENERAL

Guoco is an investment holding company and the principal activities of its subsidiaries and associated companies include proprietary asset management, property development and investment, hospitality and leisure business as well as financial services including banking and finance, insurance, fund management, stock and commodity broking and investment advisory business.

As at the date of this announcement, the board of directors of Guoco comprises Mr. Quek Leng Chan as Executive Chairman, Mr. Kwek Leng Hai as President and CEO, Mr. Tan Lim Heng and Mr. James Eng, Jr. as executive directors, Mr. Kwek Leng San as non-executive director and Mr. Sat Pal Khattar, Mr. Harry Richard Wilkinson and Mr. Volker Stoeckel as independent non-executive directors.

DEFINITIONS

"Banking Transactions"	Banking transactions as described under (a) and (b) in this announcement
"Guoco"	Guoco Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 53)
"Group"	Guoco and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People's Republic of China
"HLB"	Hong Leong Bank Berhad, an indirect subsidiary of HLCM and an associated company of Guoco, incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad
"HLCM"	Hong Leong Company (Malaysia) Berhad, a substantial shareholder of Guoco
"HLIB"	Hong Leong Islamic Bank Berhad, a wholly owned subsidiary of HLB incorporated in Malaysia
"Hong Leong Group"	HLCM and its wholly-owned subsidiaries from time to time, excluding the Group
"Hong Leong Financial Institutions"	Authorised financial institutions within Hong Leong Group comprising HLB and HLIB
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"US\$"	United States dollars, the lawful currency of the United States of America

For reference only, the figures in US\$ referred to in this announcement have been translated into Hong Kong dollars on the basis of an assumed exchanged rate of US\$1.00=HK\$7.78.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 11 October 2006

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Journal.