



國浩集團有限公司
Guoco Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00053)

Announcement of 2003/2004 Final Results

RESULTS

The Board of Directors of Guoco Group Limited (“the Company”) is pleased to announce its audited consolidated results for the financial year ended 30 June 2004 together with comparative figures for the previous year as follows:

Consolidated Income Statement

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(Restated)</i>
Turnover	2 & 3	11,962,900	3,252,546
Cost of sales		(10,195,419)	(2,315,578)
Other attributable costs		(149,284)	(142,696)
		1,618,197	794,272
Other revenue		25,779	20,782
Other net income	4	409,781	881,798
Administrative and other operating expenses		(216,863)	(197,913)
Operating profit before finance cost		1,836,894	1,498,939
Finance cost		(30,428)	(45,720)
Operating profit	2	1,806,466	1,453,219
Profit on disposal of subsidiaries		85,589	140,465
Profit on disposal of an associate		293,116	—
Impairment loss write back on properties		83,359	89,279
Impairment loss on investment securities		(186,256)	—
Surplus / (deficit) on revaluation of investment properties		101,977	(581,193)
Provision write back on amount due from a jointly controlled entity		8,580	14,621
Net profit on disposal of investment properties		8,502	—
Operating profit from ordinary activities		2,201,333	1,116,391
Share of profits less losses of associates		371,631	313,472
Share of profits less losses of jointly controlled entities		—	187

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(Restated)</i>
Profit from ordinary activities before taxation	5	2,572,964	1,430,050
Taxation	6	<u>18,439</u>	<u>(224,707)</u>
Profit after taxation		2,591,403	1,205,343
Minority interests		<u>(151,522)</u>	<u>20,446</u>
Profit attributable to shareholders	2	2,439,881	1,225,789
Appropriations:			
Final dividend paid	7	(230,294)	(227,431)
Interim dividend paid	7	<u>(131,621)</u>	<u>(130,885)</u>
Retained profit for the year		<u>2,077,966</u>	<u>867,473</u>
Retained in:			
The Company and its subsidiaries		1,761,770	674,184
Associates		316,196	193,102
Jointly controlled entities		<u>—</u>	<u>187</u>
		<u>2,077,966</u>	<u>867,473</u>
Earnings per share		<i>HK\$</i>	<i>HK\$</i>
Basic	8	<u>7.43</u>	<u>3.76</u>
Diluted	8	<u>7.42</u>	<u>3.74</u>
Proposed final dividend	7	<i>HK\$'000</i> <u>855,534</u>	<i>HK\$'000</i> <u>229,048</u>

1. Significant accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2003 with the exception of changes in accounting policies to comply with the revised Statement of Standard Accounting Practice ("SSAP") as set out below.

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 July 2003, in order to comply with SSAP 12 (revised) issued by the Hong Kong Institute of Certified Public Accountants, the Group adopted a new policy for deferred tax. As a result of the adoption of this accounting policy, the Group's profit for the year has been increased by HK\$928,000 (2003: HK\$757,000) and the net assets as at the year end have been increased by HK\$8,291,000 (2003: HK\$7,365,000).

The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods.

2. Segment information

Business segments

	Treasury, fund and investment management	Property development	Property investment	Securities, commodities and brokerage	Insurance	Inter- segment elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue and expenses							
For the year ended 30 June 2004							
Turnover	10,429,342	1,283,249	82,251	62,774	105,284	—	11,962,900
Inter-segment turnover	136,102	—	4,579	811	1,045	(142,537)	—
	<u>10,565,444</u>	<u>1,283,249</u>	<u>86,830</u>	<u>63,585</u>	<u>106,329</u>	<u>(142,537)</u>	<u>11,962,900</u>
Contribution from operations	1,747,481	85,005	52,603	10,109	242	—	1,895,440
Unallocated income							65,941
Unallocated expenses							(124,487)
Operating profit before finance cost							1,836,894
Finance cost							(30,428)
Operating profit							1,806,466
Profit on disposal of subsidiaries							85,589
Profit on disposal of an associate							293,116
Impairment loss write back on properties	—	83,359	—	—	—	—	83,359
Impairment loss on investment securities	(186,256)	—	—	—	—	—	(186,256)
Surplus on revaluation of investment properties	—	—	101,977	—	—	—	101,977
Provision write back on amount due from a jointly controlled entity	—	8,580	—	—	—	—	8,580
Net profit on disposal of investment properties	—	—	8,502	—	—	—	8,502
Operating profit from ordinary activities							2,201,333
Share of profits less losses of associates	251,355	20,179	100,097	—	—	—	371,631
Profit from ordinary activities before taxation							2,572,964
Taxation							18,439
Profit after taxation							2,591,403
Minority interests							(151,522)
Profit attributable to shareholders							<u>2,439,881</u>

	Treasury, fund and investment management	Property development	Property investment	Securities, commodities and brokerage	Insurance	Inter- segment elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue and expenses							
For the year ended 30 June 2003							
Turnover	1,479,164	1,483,125	140,715	40,300	109,242	—	3,252,546
Inter-segment turnover	<u>72,006</u>	<u>—</u>	<u>6,441</u>	<u>1,131</u>	<u>1,279</u>	<u>(80,857)</u>	<u>—</u>
	<u><u>1,551,170</u></u>	<u><u>1,483,125</u></u>	<u><u>147,156</u></u>	<u><u>41,431</u></u>	<u><u>110,521</u></u>	<u><u>(80,857)</u></u>	<u><u>3,252,546</u></u>
Contribution from operations	1,325,956	98,832	94,098	(33,726)	15,409	—	1,500,569
Unallocated income							60,045
Unallocated expenses							<u>(61,675)</u>
Operating profit before finance cost							1,498,939
Finance cost							<u>(45,720)</u>
Operating profit							1,453,219
Profit on disposal of subsidiaries							140,465
Impairment loss write back / (provided) on properties	(5,123)	101,802	—	—	(7,400)	—	89,279
Deficit on revaluation of investment properties	—	—	(581,193)	—	—	—	(581,193)
Provision write back on amount due from a jointly controlled entity	—	14,621	—	—	—	—	<u>14,621</u>
Operating profit from ordinary activities							1,116,391
Share of profits less losses of associates	292,612	(2,074)	22,934	—	—	—	313,472
Share of profits less losses of jointly controlled entities	187	—	—	—	—	—	<u>187</u>
Profit from ordinary activities before taxation							1,430,050
Taxation							<u>(224,707)</u>
Profit after taxation							1,205,343
Minority interests							<u>20,446</u>
Profit attributable to shareholders							<u><u>1,225,789</u></u>

Geographical Segments

	Turnover		Operating profit	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	10,589,327	1,534,171	1,485,020	1,044,729
Singapore	1,251,136	1,631,037	271,167	400,879
Asia (excluding Hong Kong and Singapore)	112,609	78,261	50,279	7,346
Others	9,828	9,077	—	265
	<u>11,962,900</u>	<u>3,252,546</u>	<u>1,806,466</u>	<u>1,453,219</u>
	Segment assets		Capital expenditure	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Hong Kong	27,522,283	25,230,911	7,394	11,829
Singapore	5,212,162	6,295,201	3,549	2,987
Asia (excluding Hong Kong and Singapore)	3,643,076	3,187,534	905	101
Others	1,518,442	1,313,854	—	—
	<u>37,895,963</u>	<u>36,027,500</u>	<u>11,848</u>	<u>14,917</u>

3. Turnover

	2004	2003
	HK\$'000	HK\$'000
Income from sale of investments in securities	9,991,956	938,841
Income from sale of properties	1,283,249	1,483,125
Interest income	312,655	372,565
Dividend income from listed securities	133,255	65,417
Gross insurance premiums	103,693	108,377
Rental income from properties	77,080	104,010
Security commission and brokerage	56,644	33,157
Dividend income from unlisted securities	—	87,532
Other income	4,368	59,522
	<u>11,962,900</u>	<u>3,252,546</u>

4. **Other net income**

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised gains on other investments	42,104	531,823
Net exchange gains	265,996	300,761
Net (losses) / profits on disposal of fixed assets	(538)	733
Net unrealised gains / (losses) on other investments	132,413	(28,010)
Others	<u>(30,194)</u>	<u>76,491</u>
	<u>409,781</u>	<u>881,798</u>

5. **Profit from ordinary activities before taxation**

Profit from ordinary activities before taxation is arrived at

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
after charging:		
Staff costs (including retirement scheme contributions of HK\$8,284,000 (2003: HK\$6,940,000))	155,789	160,569
Depreciation	18,400	22,014
Operating lease charges		
— properties	9,898	12,812
— others	62	62
Amortisation of goodwill included in share of profits less losses of associates	3,557	11,182
Auditors' remuneration	2,340	2,168
Donations	<u>569</u>	<u>632</u>
and crediting:		
Amortisation of negative goodwill	50,833	23,605
Impairment loss write back on properties	<u>83,359</u>	<u>89,279</u>
Gross rental income from investment properties	77,080	104,010
Less: direct outgoings	<u>(12,589)</u>	<u>(9,615)</u>
Net rental income	<u>64,491</u>	<u>94,395</u>
Share of profits less losses of associates:		
listed	361,585	325,091
unlisted	<u>10,046</u>	<u>(11,619)</u>
	<u>371,631</u>	<u>313,472</u>

6. Taxation

	2004 HK\$'000	2003 HK\$'000 (Restated)
Current tax - Provision for Hong Kong Profits Tax		
Tax for the year	23,322	58,984
Overprovision in respect of prior years	<u>(77,697)</u>	<u>(218)</u>
	<u>(54,375)</u>	<u>58,766</u>
Current tax - Overseas		
Tax for the year	5,889	74,198
(Over)/Under-provision in respect of prior years	<u>(6,614)</u>	<u>3,252</u>
	<u>(725)</u>	<u>77,450</u>
Deferred tax		
Origination and reversal of temporary differences	(15,506)	(32,667)
Benefit of previously unrecognised tax losses now recognised	(2,995)	—
Effect of changes in tax rate on deferred tax balances at 1 July	—	788
Overprovision in respect of prior years	<u>(273)</u>	<u>—</u>
	<u>(18,774)</u>	<u>(31,879)</u>
Share of associates' taxation	<u>55,435</u>	<u>120,370</u>
	<u>(18,439)</u>	<u>224,707</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year ended 30 June 2004. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

7. Dividends

	2004 HK\$'000	2003 HK\$'000
2003: Final dividend paid of HK\$0.70 per share (2002: HK\$0.70 per share)	230,294	227,431
2004: Interim dividend paid of HK\$0.40 per share (2003: HK\$0.40 per share)	<u>131,621</u>	<u>130,885</u>
	<u>361,915</u>	<u>358,316</u>
2004: Proposed final dividend of HK\$2.60 per share (2003: HK\$0.70 per share)	<u>855,534</u>	<u>229,048</u>

The proposed final dividend for the year ended 30 June 2004 of HK\$855,534,000 (2003: HK\$229,048,000) is calculated based on 329,051,373 ordinary shares (2003: 327,211,373 ordinary shares) in issue as at 30 June 2004.

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$2,439,881,000 (2003 (restated): HK\$1,225,789,000) and the weighted average number of 328,365,198 ordinary shares (2003: 325,839,510 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$2,439,692,000 (2003 (restated): HK\$1,225,635,000) and the weighted average number of 328,808,118 ordinary shares (2003: 327,660,400 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2004	2003
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	328,365,198	325,839,510
Deemed issue of ordinary shares under executive share option scheme	<u>442,920</u>	<u>1,820,890</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>328,808,118</u>	<u>327,660,400</u>

9. Hong Kong dollar amounts

The financial statements of the Company are maintained in United States dollars. The accounting figures shown above have been translated from United States dollars into Hong Kong dollars equivalents at the rates ruling at the respective financial year ends for presentation purposes only (2004: US\$1 = HK\$7.800, 2003: US\$1 = HK\$7.798).

10. Comparative figures

Certain comparative figures have been adjusted as a result of the change in accounting policy for details of which are set out in Note 1 above. The comparative figure for income from sale of investments in securities under Turnover has been adjusted to conform with the current year's presentation to better reflect the principal activities of the Group.

DIVIDENDS

The Directors will recommend to the shareholders for approval at the forthcoming annual general meeting a final dividend of HK\$2.60 per share, amounting to HK\$856 million payable for the financial year ended 30 June 2004. This, together with the interim dividend of HK\$0.40 per share paid on 6 April 2004, will amount to a total dividend of HK\$3.00 per

share for the full year, totalling HK\$987 million (2002/2003: HK\$1.10 per share, totalling HK\$360 million). Subject to shareholders' approval, the final dividend will be payable on 18 October 2004 to the shareholders whose names appear on the register of members on 15 October 2004.

FINANCIAL RESULTS

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

Overall turnover increased by HK\$8,710 million or 268%, mainly attributable to the increase of HK\$9,053 million in income from sale of investments in securities. Turnover from the property development sector and the property investment sector declined by 13% and 42% respectively.

Treasury, fund and investment management sector accounted for approximately 92% of the contribution from operations.

REVIEW OF OPERATIONS

Treasury and Investment Strategies

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

The twelve months to June 2004 was a rewarding but volatile period for equity investments. The revival of sentiment in Asia and a return to global growth provided much needed stimulus to stock markets. However, due to political and economic uncertainties in the last few months, most markets ended with some of the earlier gains depleted.

The Group continued to increase its resources in treasury and investment management during the year by expanding its team as well as by adding more research capabilities. Our disciplined approach was further refined with a more rigorous investment process and risk control in place.

While from time to time we would engage in portfolio trading for a shorter term investment horizon, our focus is to look for strategic under-valued or turnaround situations that can offer relatively low risk but yet substantial long-term returns. During the year, the Investment Committee concentrated its attention in Asia Pacific, as it believed this region offered the best potential. After performing due diligence and in most cases specific company visits, investments were made in a number of interesting situations in selective countries with satisfactory returns achieved during the year.

Financial markets are faced with a number of uncertainties including rising interest rates, high oil prices and a managed slow down of the China economy. This is likely to introduce more volatility to markets and we may encounter more challenges in the coming months. However, we believe there are under-valued situations in any market condition and it is the objective of the Investment Committee to identify such opportunities for the benefit of the Group.

Property Division

GuocoLand Limited (“GLL”) — 62.4% owned by the Group

GLL’s revenue decreased by 18% to S\$300.1 million for the financial year ended 30 June 2004, mainly due to lower sales from its launched projects in Singapore. Despite the decrease in revenue, GLL reported a consolidated net profit of S\$120.0 million for the financial year ended 30 June 2004, an increase of 27% compared to the previous financial year.

GLL’s cost of sales decreased by 24% to S\$255.9 million for the financial year ended 30 June 2004 due to lower sales and a write back of S\$18.3 million for foreseeable losses on its residential properties in Singapore and China compared to a S\$14.3 million provision for such losses in the previous financial year.

Other operating income amounted to S\$82.8 million, of which S\$70.4 million arose from the disposal of GLL’s interests in Benchmark Group PLC (“Benchmark”). In the previous financial year, other operating income of S\$84.2 million included profits of S\$49.3 million from the disposal of its interest in an associate and a development site at Suzhou as well as a mark-to-market gain of S\$22.0 million on financial assets.

The increase in other operating expenses from S\$0.7 million to S\$18.6 million was mainly due to a revaluation loss of S\$9.1 million on investment properties, a mark-to-market loss of S\$4.8 million on financial assets and a provision of S\$3.9 million on long-term equity investments. Finance costs decreased by 36% to S\$6.6 million due to lower level of borrowings and lower interest rates.

GLL’s associates contributed profit before tax of S\$23.0 million, a 6% decrease over the previous financial year. Profit contribution from associates was primarily from Benchmark.

GLL currently has eight launched developments on the market: Sanctuary Green, The Gardens at Bishan, Bishan Point, Le Crescendo, Leonie Studio, Nathan Place, The Ladyhill (in which GLL has 40% interest) and The Boulevard Residence (in which GLL has 40% interest). As at 19 August 2004, GLL has achieved sales of 54% in Sanctuary Green, 94% in The Gardens at Bishan, 90% in Bishan Point, 41% in Le Crescendo, 5% in Leonie Studio, 78% in Nathan Place, 49% in The Ladyhill and 22% in The Boulevard Residence. GLL recently entered into a conditional collective sale and purchase agreement to acquire Greenacres Condominium which can be redeveloped into a residential condominium subject to, inter alia, completion of the purchase and the relevant planning approvals being obtained.

In China, the sales permits for two blocks of condominium units in Central Park development in Shanghai had been obtained and GLL is working towards launching sales when the sales permit for the remaining block is obtained.

Resettlement is in progress at a land parcel in the Feng Sheng area district, within the Xicheng District of Beijing, where GLL has signed a conditional agreement to acquire a 98% interest in the site which is primarily for residential development. As certain terms in a conditional agreement to acquire the development rights to a residential land parcel located at the Fifth Mile of Zhenwumiao in Beijing had not been satisfied, the agreement had been terminated and the vendor had refunded all monies paid thereunder.

GLL is focused on enhancing and strengthening its presence in its core business centres of Singapore, China and Malaysia. It will build upon its existing businesses and strive to deliver sustainable and attractive returns to shareholders. In addition to its embedded property operations in these centres, GLL will continue to look for other real estate opportunities such as property fund management to enhance its earnings.

Financial Industry Group

Hong Leong Credit Berhad (“HLCB”) — 25.7% owned by the Group

HLCB Group recorded a lower pre-tax profit of RM719.0 million as compared to RM802.7 million in the previous year. However, profit after tax and minority interest increased by 3.8%, from RM374.2 million in the previous year to RM388.5 million in the current year. This was mainly due to higher investment profits and surplus distribution from the insurance division, a return to profitability of the stockbroking division as well as a gain on a deemed disposal of shares, recognized for at HLCB Group level as a result of a special issue of shares to Bumiputra investors by the banking subsidiary.

The banking and finance division recorded a pre-tax profit of RM528.7 million, a decline of RM273.2 million as compared to RM801.9 million in the previous corresponding year. Turnover declined by RM90.2 million as a result of the narrower interest margins earned as well as lower contribution from hire purchase business due to its declining loan base. Non-interest income recorded a marginal decline of RM1.9 million despite the treasury losses of RM32 million suffered as a result of the weakness in the bond market during the first quarter of the financial year due to higher commission and fee-based income. Loan loss provision increased by RM155.8 million mainly due to provisions made for several restructured and rescheduled non-performing loans in the third quarter.

The insurance division registered a profit before tax of RM124.1 million for the financial year ended 30 June 2004 compared to a profit before tax of RM82.5 million for the previous corresponding financial year. This was principally due to higher gross premiums, which grew by 12% to RM936 million as well as higher surplus transferred from the life business and better market sentiments, which resulted in higher gains on sales of investments.

The stockbroking division registered a profit before taxation of RM30.7 million compared to a loss of RM29.7 million in the previous financial year. Improved market turnover in the current year and a lower cost-base from the rightsizing of its operations in the previous

financial year, enabled it to achieve improved results for the current financial year. Operating revenue increased to RM88.4 million, an increase of 97.8% from RM44.7 million in the previous financial year, on the back of a higher Bursa Malaysia turnover of RM279.6 billion in the current financial year compared to RM102.9 billion in the previous financial year.

Hong Kong Financial Services Subsidiaries

The Group's Hong Kong financial services subsidiaries, Dao Heng Securities Limited ("DHS") and Dao Heng Insurance Co., Limited ("DHI") have emerged leaner and more productive after their rightsizing exercises, restructure of operations and transformation of business models to reposition themselves to meet the new business dynamics.

DHS faced the challenges brought on by brokerage commission deregulation and the revamped laws and regulations with further improvements in its Online brokerage trading service technology and capitalized on more corporate financial advisory work necessitated by the revised Listing Rules. Additional research services provided to its targeted core of high-net-worth clients proved successful to help them achieve better returns, and at the same time, increased turnover volume of DHS.

DHI continues to transform itself from a bancassurance business into a direct and broker/agent model by focusing its effort in the development of its own call center and new distribution channels. In May 2004, DHI won two prestigious Customer Relationship Excellence Awards from Asia Pacific Customer Service Consortium: the Best Use of Call Center Technology of the Year 2003 (Financial Services) in the corporate category and the Customer Relationship Management Director of the Year 2003 in the individual category.

To face the intense competition from bancassurance providers and major players going forward, DHI is refining its business model to achieve critical top line growth to sustain growth and profitability. This necessitates DHI strengthening its cross-selling/up-selling program to increase market share and customer loyalty, and to build open market business by enhancing its market presence amongst brokers and agents, and forming strategic business alliances for personal line business.

Going forward, the financial services subsidiaries will continue to build on their good track record and trusted names to make further inroads into their respective markets with the benefit of advanced technology and Group business networking relationship.

FINANCIAL COMMENTARY

Borrowings

By 30 June 2004, the Group had reduced its total borrowings by 5% to HK\$4,446 million from HK\$4,673 million as at 30 June 2003. Unsecured borrowing comprises 49% of total borrowings. All borrowings belonged to GLL and primarily represented GLL's property project loans.

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

	Bank loans	Other borrowings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within 1 year	1,860,690	362,333	2,223,023
After 1 year but within 2 years	701,010	90,425	791,435
After 2 years but within 5 years	647,930	783,151	1,431,081
	<u>1,348,940</u>	<u>873,576</u>	<u>2,222,516</u>
	<u>3,209,630</u>	<u>1,235,909</u>	<u>4,445,539</u>

The loans are secured by the following:

- a. legal mortgages on investment properties with a book value of HK\$554 million;
- b. legal mortgages on development properties with a book value of HK\$2,889 million; and
- c. certain equity investments with total carrying value of HK\$440 million.

As at 30 June 2004, the Group has net cash balance of HK\$18,148 million after netting off the total borrowings of HK\$4,446 million.

Contingent liabilities

As at 30 June 2004, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of HK\$161 million (2003: HK\$313 million by the Group and HK\$165 million by the Company) respectively granted to group companies and certain investee companies of the Group.

Capital and finance

The Group's consolidated shareholders' funds as at 30 June 2004 after adjusting for the major items set out below, amounted to HK\$30,682 million. The major adjustments are as follows:

- a. increase in share capital and share premium of HK\$38 million upon the exercise of share options during the year;
- b. share of subsidiaries' and associates' capital reserves movement of HK\$233 million; and
- c. net exchange difference of HK\$78 million.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 340 employees as at 30 June 2004. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to provide its staff with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual achievement as incentives to optimise performance. Share options may also be granted in accordance with the approved share option scheme or plan adopted by the Company to eligible employees to reward their contribution and foster loyalty towards the Group.

OUTLOOK

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

BOARD AUDIT COMMITTEE

A Board Audit Committee ("BAC") was established on 9 October 1998 with written terms of reference.

The BAC currently comprises Messrs. Harry Richard Wilkinson (Chairman), Sat Pal Khattar, Volker Stoeckel and Kwek Leng Hai. Messrs. Harry Richard Wilkinson, Sat Pal Khattar and Volker Stoeckel are independent non-executive directors. Mr. Kwek Leng Hai, being an executive director of the Company, will resign from the BAC with effect from 30 September 2004 in order to comply with the requirements of the Listing Rules. The BAC oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls.

The BAC meets with the Company's internal auditors and reviews the audit plans, the internal audit programme, the results of their examinations and their evaluations of the system of internal controls. It also reviews interests in contracts and connected transactions.

The BAC meets with the external auditors and reviews the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report thereon and submits its views to the Board of Directors. Three BAC meetings were held during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors are not appointed for a specific term but their terms of office are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company's Bye-Laws.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 12 October 2004 to 15 October 2004, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the above dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 11 October 2004.

As at the date of this announcement, the board of directors of the Company comprises Mr. Quek Leng Chan as Executive Chairman, Mr. Kwek Leng Hai as President, 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.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 15 September 2004