



國浩集團有限公司 Guoco Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00053)

Announcement of 2004/2005 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 2005 together with comparative figures for the previous year as follows:

Consolidated Income Statement

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2 & 3	14,790,442	11,962,900
Cost of sales		(12,463,272)	(10,195,419)
Other attributable costs		(141,023)	(149,284)
		2,186,147	1,618,197
Other revenue		26,464	25,779
Other net income	4	703,762	409,781
Administrative and other operating expenses		(48,956)	(216,863)
Operating profit before finance cost		2,867,417	1,836,894
Finance cost		(68,712)	(30,428)
Operating profit	2	2,798,705	1,806,466
(Impairment loss) / provision write back on properties		(10,943)	83,359
Impairment loss on investment securities		—	(186,256)
Reversal of revaluation deficit of investment properties		80,479	101,977
Profit on disposal of a subsidiary		8,806	85,589
Profit on disposal of an associate		—	293,116
Provision write back on amount due from a jointly controlled entity		115,778	8,580
Net profit on disposal of investment properties		106,181	8,502
Operating profit on ordinary activities		3,099,006	2,201,333
Share of profits less losses of associates	5	534,652	371,631
Share of profits of a jointly controlled entity	5	59,410	—
Profit from ordinary activities before taxation	5	3,693,068	2,572,964
Taxation	6	(246,543)	18,439
Profit after taxation		3,446,525	2,591,403
Minority interests		(215,953)	(151,522)
Profit attributable to shareholders	2	3,230,572	2,439,881
Appropriations:			
Final dividend paid	7	(853,908)	(230,294)
Interim dividend paid	7	(263,241)	(131,621)
Retained profit for the year		2,113,423	2,077,966
Retained in:			

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
The Company and its subsidiaries		1,611,141	1,761,770
Associates		442,872	316,196
Jointly controlled entities		59,410	—
		<u>2,113,423</u>	<u>2,077,966</u>
Earnings per share		<i>HK\$</i>	<i>HK\$</i>
Basic	8	<u>9.82</u>	<u>7.43</u>
Diluted	8	<u>9.82</u>	<u>7.42</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final dividend	7	<u>987,154</u>	<u>855,534</u>

1. **Significant accounting policies**

Changes in 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 2004 with the exception of changes in accounting policies to comply with a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively known as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as set out below.

HKFRS 3 ("Business Combinations"), HKAS 36 ("Impairment of Assets") and HKAS 38 ("Intangible Assets") (collectively known as "the HKFRS 3 package") are effective for business combinations with the agreement dates on or after 1 January 2005. Accordingly, the Group is required to apply the HKFRS 3 package for the business combinations with the agreement dates on or after 1 January 2005. The basis to account for goodwill and negative goodwill arising from business combinations were changed in accordance with the HKFRS 3 package.

For business combinations with the agreement dates before 1 January 2005, positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing where there was indications of impairment. Negative goodwill was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

For business combinations with the agreement dates on or after 1 January 2005, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition. Negative goodwill is recognised immediately in the income statement as it arises.

Impact of recently issued new HKFRSs

The Group has not early adopted the new HKFRSs in the financial statements for the year ended 30 June 2005.

The Group has conducted a preliminary assessment on the impact of the new HKFRSs and has so far concluded that the adoption of HKFRS 3 ("Business Combinations") for business combinations with the agreement dates before 1 January 2005 and HKAS 39 ("Financial Instruments: Recognition and Measurement") will have a significant impact on its financial statements as set out below:

At present, for business combinations with the agreement dates before 1 January 2005, the Group has recognised negative goodwill as deferred item and is released to the income statement on a proportional basis. Following the adoption of the HKFRS 3, the negative goodwill should be recognised in the income statement immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill will be derecognised to the retained profits by way of an adjustment to the opening balances and comparatives are not restated. The Group's retained profits as at 1 July 2005 would have been increased by HK\$257,774,000.

At present, the Group's equity and debt securities which are intended to be held on a continuing basis for an identified long term purpose at the time of acquisition are stated in the balance sheet at cost less any provisions for diminution in value which is other than temporary. The provision being made is recognised as an expense in the income statement.

Following the adoption of the HKAS 39, the securities with the above nature are stated on the balance sheet at fair value with changes recognised in investment revaluation reserve. Under the transitional arrangements of HKAS 39, any recognition or measurement adjustments should be made to the opening balances and comparatives are not restated. The Group's reserves as at 1 July 2005 would have been increased by HK\$177,209,000.

The Group will continue to assess the impact of the other new HKFRSs and other significant changes may be identified as a result.

Geographical Segments

	Turnover		Operating profit	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	12,784,488	10,589,327	2,078,621	1,485,020
Singapore	939,946	1,251,136	251,867	196,295
The People's Republic of China ("PRC")	1,063,559	109,185	316,010	76,151
Asia (excluding Hong Kong, Singapore and PRC)	2,402	3,424	152,207	32,651
Others	47	9,828	—	16,349
	<u>14,790,442</u>	<u>11,962,900</u>	<u>2,798,705</u>	<u>1,806,466</u>
	Segment assets		Capital expenditure	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	27,123,947	27,522,283	1,780	7,394
Singapore	5,148,048	5,212,162	2,534	3,549
The People's Republic of China ("PRC")	1,745,552	1,160,882	1,632	905
Asia (excluding Hong Kong, Singapore and PRC)	6,326,999	2,482,194	—	—
Others	—	1,518,442	—	—
	<u>40,344,546</u>	<u>37,895,963</u>	<u>5,946</u>	<u>11,848</u>

3. Turnover

	2005	2004
	HK\$'000	HK\$'000
Proceeds from sale of investments in securities	11,920,383	9,991,956
Proceeds from sale of properties	1,868,389	1,283,249
Interest income	526,219	312,655
Dividend income	259,414	133,255
Gross insurance premiums	83,976	103,693
Rental income from properties	88,787	77,080
Security commission and brokerage	40,391	56,644
Other income	2,883	4,368
	<u>14,790,442</u>	<u>11,962,900</u>

4. Other net income

	2005	2004
	HK\$'000	HK\$'000
Net realised and unrealised gains on other investments	304,988	174,517
Net exchange gains	382,134	265,996
Net profits / (losses) on disposal of fixed assets	459	(538)
Others	16,181	(30,194)
	<u>703,762</u>	<u>409,781</u>

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

Profit from ordinary activities before taxation is arrived at

	2005 HK\$'000	2004 HK\$'000
after charging:		
Staff costs (including retirement scheme contributions of HK\$7,041,000 (2004: HK\$8,284,000))	151,958	155,789
Depreciation	12,194	18,400
Operating lease charges		
- properties	6,785	9,898
- others	47	62
Amortisation of goodwill included in share of profits less losses of associates	13,399	11,942
Auditors' remuneration	2,992	2,340
Donations	1,259	569
	<u>219,567</u>	<u>—</u>
and crediting:		
Recognition of negative goodwill	219,567	—
Amortisation of negative goodwill included in share of profits less losses of associates	102,761	8,385
Amortisation of negative goodwill	69,163	50,833
(Impairment loss) / provision write back on properties	(10,943)	83,359
	<u>58,632</u>	<u>77,080</u>
Gross rental income from investment properties	58,632	77,080
Less: direct outgoings	(15,995)	(12,589)
Net rental income	42,637	64,491
Share of profits less losses of associates:		
- listed	464,580	361,585
- unlisted	70,072	10,046
	534,652	371,631
Share of profits of a jointly controlled entity:		
- unlisted	59,410	—

6. **Taxation**

	2005 HK\$'000	2004 HK\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the year	39,869	23,322
Overprovision in respect of prior years	(23)	(77,697)
	39,846	(54,375)
Current tax - Overseas		
Tax for the year	129,380	5,889
Overprovision in respect of prior years	(5,782)	(6,614)
	123,598	(725)
Deferred tax		
Origination and reversal of temporary differences	(8,681)	(15,506)
Recognition of deferred tax asset in relation to tax losses	—	(2,995)
Overprovision in respect of prior years	—	(273)
	(8,681)	(18,774)
Share of associates' taxation	91,780	55,435
	246,543	(18,439)

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year ended 30 June 2005. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

7. Dividends

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
2004: Final dividend paid of HK\$2.60 per share (2003: HK\$0.70 per share)	853,908	230,294
2005: Interim dividend paid of HK\$0.80 per share (2004: HK\$0.40 per share)	<u>263,241</u>	<u>131,621</u>
	<u>1,117,149</u>	<u>361,915</u>
2005: Proposed final dividend of HK\$3.00 per share (2004: HK\$2.60 per share)	<u>987,154</u>	<u>855,534</u>

The proposed final dividend for the year ended 30 June 2005 of HK\$987,154,000 (2004: HK\$855,534,000) is calculated based on 329,051,373 ordinary shares (2004: 329,051,373 ordinary shares) in issue as at 30 June 2005.

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\$3,230,572,000 (2004: HK\$2,439,881,000) and the weighted average number of 328,923,149 ordinary shares (2004: 328,365,198 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\$3,229,666,000 (2004: HK\$2,439,692,000) and the weighted average number of 328,923,149 ordinary shares (2004: 328,808,118 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2005 Number of shares	2004 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	328,923,149	328,365,198
Deemed issue of ordinary shares under executive share option scheme	<u>—</u>	<u>442,920</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>328,923,149</u>	<u>328,808,118</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 (2005: US\$1 = HK\$7.772, 2004: US\$1 = HK\$7.800).

DIVIDENDS

The Directors will recommend to the shareholders for approval at the forthcoming annual general meeting a final dividend of HK\$3.00 per share, amounting to HK\$987 million payable for the financial year ended 30 June 2005. This, together with the interim dividend of HK\$0.80 per share on 18 March 2005, will amount to a total dividend of HK\$3.80 per share for the full year, totalling HK\$1,250 million (2003/2004: HK\$3.00 per share, totalling HK\$987 million). Subject to shareholders' approval, the final dividend will be payable on 21 October 2005 to the shareholders whose names appear on the register of members on 18 October 2005.

FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$3,231 million, representing an increase of 32.4% over that of last year. Earnings per share rose 32.2% to HK\$9.82.

Overall turnover increased by HK\$2,828 million or 23.6%, mainly attributable to the increase of HK\$585 million or 45.6% in property development sector and HK\$1,928 million or 19.3% in proceeds from sale of investments in securities. Turnover from the securities, commodities and brokerage and insurance declined by 22.4% and 18.6% respectively.

Treasury and investment management sector accounted for approximately 86.1% of the contribution from operations.

REVIEW OF OPERATIONS

Corporate Events

- a. Disposal of Dao Heng Insurance Co., Limited ("DHI") to Hong Leong Assurance Berhad ("HLAB")

The Group entered into a conditional sale and purchase agreement with HLAB on 11 January 2005 for the disposal of its entire interest in DHI at a cash consideration of approximately HK\$152.6 million, representing 1.2 times of the adjusted net tangible assets value of DHI as at 30 June 2004, after deducting HK\$40 million of dividends paid or payable to the Group. HLAB is a wholly owned subsidiary of Hong Leong Credit Berhad. The Group realised a net profit of approximately HK\$8.8 million upon completion of the transaction.

- b. Acquisition of 40.0% interest in Camerlin Group Berhad ("CGB") and mandatory general offer on the remaining securities of CGB held by public

On 12 January 2005, the Group entered into a securities sale agreement with Hong Leong Industries Berhad and its subsidiary, GuocoLand Limited and Hong Leong Computer Services Sdn Bhd for the acquisitions of approximately 40.0% of the total issued share capital in CGB and approximately 72.3% of the outstanding nominal value

of irredeemable convertible unsecured loan stocks (“ICULS”) of CGB at a total consideration of approximately RM236.6 million (approximately HK\$485.5 million). The consideration is calculated based on RM1.20 per CGB share and RM1.04 per CGB ICULS.

The acquisitions enabled the Group to acquire substantial interests in CGB and to become the single largest shareholder of CGB. Pursuant to The Malaysian Code of Take-overs and Mergers, the Group undertook a mandatory general offer to acquire the remaining shares, outstanding ICULS and warrants of CGB not held by the Group at the respective prices of RM1.20 per share, RM1.04 per ICULS and RM0.01 per warrant, upon completion of the acquisitions. As at 30 June 2005, the Group owned approximately 61.4% shareholding in CGB.

c. Mandatory general offer (“MGO”) for BIL International Limited (“BIL”)

On 13 July 2005, the Group acquired approximately 10.1% of the issued share capital of BIL at S\$1.20 per share for a total consideration of approximately S\$166.2 million. Since the Group already owned directly and indirectly about 29.5% of BIL before this acquisition, the Group was required under the Singapore Code on Takeovers and Mergers to make a conditional MGO on BIL. The MGO period was extended to close on 30 September 2005.

The Group further acquired 4.1% shareholding in BIL through market purchases to attain a total interest of 43.7% in BIL up to 15 September 2005.

Treasury and Investment Activities

The Board Investment Committee has been mandated by the Board to oversee and direct the Group’s investment process and to review regularly 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 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 global economy and equity markets remained robust throughout the year despite the headwinds of high oil prices and continued rate hikes in the US. The strength in financial markets together with fundamental research by our investment teams enabled the Group to generate attractive returns during the year.

The investment teams focused on relevant macro factors to determine our asset allocation methodology across asset classes as well as the geographical spread. During the year, the Group continued to concentrate on regional markets such as Australia, Hong Kong, China and Singapore, with exposures in the United Kingdom and the United States also increased. Our activities in the Japan market were minimal and this proved to be a right decision as the

market was marginally down during the year. At the stock-level, the investment teams maintained its value approach with a strong emphasis on high dividend stocks. Besides generating attractive capital gains, these stocks produced substantial recurrent dividend income of approximately HK\$259 million during the year.

In order to meet the investment challenges presented by markets, the Group is committed to deploy more resources to the investment teams on an on-going basis. During the year, additional experienced portfolio managers and supporting staff were employed to provide more extensive and in-depth market coverage. Proprietary investment models were refined and developed to provide enhanced in-sights and research capabilities. The Group is also in the process of introducing a new portfolio management system. Upon full installation, this system will provide more sophisticated reporting and control functions to our investment and treasury activities.

The Group's treasury and investment management sector contributed approximately HK\$2,329 million to the operating profit before finance cost for the year. This creditable result demonstrated the success of our treasury and investment teams' abilities as well as the effectiveness of our enhanced investment infrastructure. The major contributions to the operating profit arose from the following:

- total interest income of about HK\$531 million;
- total foreign exchange gain (mainly from foreign currency deposits) of about HK\$382 million;
- total realised and unrealised gains on investments of about HK\$1,310 million; and
- dividend income of about HK\$259 million.

On 3 February 2005, the Group made a financing investment comprising the acquisition of 17.3% of the economic interest (the "GC Interests") in Galaxy Casino S.A. ("GC") and the entering into of two option deeds ("Option Deeds") whereby the option holders have call options and the Group has put options over the GC Interests.

On 22 July 2005, the Group completed the sale of the GC Interests to a wholly owned subsidiary of K. Wah Construction Materials Limited ("KWCM") in consideration of 325,615,622 new KWCM Shares ("Consideration Shares") issued at HK\$8.0 per share (representing about 9.9% of the enlarged issued share capital of KWCM), cash of HK\$565.5 million and fixed rate notes ("FRNs") of HK\$85.8 million. The Consideration Shares and the FRNs have replaced the GC Interests and will continue to be subject to the call options and the put options pursuant to the Option Deeds. The Group expects to receive from this financial investment a maximum net return of about HK\$403 million, which includes a possible bonus based on a pre-determined formula with a profit sharing arrangement.

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

For the financial year ended 30 June 2005, the GLL Group reported a net profit of S\$76.0 million compared to S\$120.0 million in the previous year. The net profit in the previous year included a non-recurring profit of S\$70.4 million from the disposal of the GLL Group’s investment in Benchmark Group Plc (“Benchmark”). The GLL Group’s net asset value per ordinary share increased from S\$1.44 as at 30 June 2004 to S\$1.67 as at 30 June 2005.

The GLL Group’s revenue and cost of sales increased by 39.8% and 35.2% to S\$419.5 million and S\$345.9 million respectively for the financial year ended 30 June 2005. The increase was mainly due to higher revenue and cost of sales recognised from its residential project in Central Park, Shanghai partially offset by lower revenue and cost of sales of its property development projects in Singapore. The GLL Group’s gross profit for the financial year increased by 66.5% to S\$73.6 million.

Other operating income of S\$46.5 million for the financial year ended 30 June 2005 was mainly due to mark-to-market gains on financial assets whereas in the previous year, other operating income of S\$82.8 million was primarily due to the profit from the disposal of Benchmark.

The GLL Group’s finance costs increased by 103.5% to S\$13.5 million as the finance costs for certain property development projects which were previously capitalised as part of development projects are now charged to the profit and loss account after these projects obtained temporary occupation permits.

The GLL Group’s associates contributed a profit before tax of S\$9.8 million, a decrease of 57.5% over the previous year. As the profit contribution from Benchmark had ceased from June 2004, this had resulted in a lower profit contribution from the GLL Group’s associates for the financial year ended 30 June 2005. This decrease was partially offset by higher profit contribution from the GLL Group’s 40% associates, Razgrad Pte Ltd, which owns The Ladyhill and Crawford Pte Ltd, which owns The Boulevard Residence.

The GLL Group currently has seven launched developments on the market in Singapore: Sanctuary Green, The Gardens at Bishan, Bishan Point, Le Crescendo, Leonie Studio, The Ladyhill (in which the GLL Group has 40% interest) and The Boulevard Residence (in which the GLL Group has 40% interest).

In Singapore, the package of property measures announced by the Singapore Government in July 2005 is positive for the residential sector. These measures which include a relaxation in financing rules and rules on foreign ownership of private residential properties, are expected to improve demand for private properties. In addition, with Singapore’s economic growth now forecasted to be higher at 3.5% to 4.5% for 2005, it is expected that the operating environment in Singapore will improve and the GLL Group will position itself to capitalise on an expected growth in demand. Launches in the pipeline in 2005 include the freehold Paterson Residence (a 110-unit development), The View @ Meyer (a freehold 45-unit development) and a 160-unit development on a freehold site at West Coast Road.

The GLL Group had submitted a concept proposal to bid for the Integrated Resort at Marina Bayfront in Singapore and is shortlisted to participate in the final tender which is expected to be launched in the third quarter of 2005.

In Shanghai, the GLL Group received an overwhelming response for its 262-unit residential project, Central Park, achieving total sales of 99% while Corporate Square in Beijing is 73% sold. In Beijing, the launch of West End Point, a residential development within the Second Ring Road in Feng Sheng, Xicheng District is in the pipeline upon completion of resettlement. In July 2005, the GLL Group acquired a site of approximately 296,002 square metres which is situated opposite the scenic Purple Mountains in Xuanwu district, in the eastern part of Nanjing City. This site can be developed into a resort style development with low to mid-rise apartments, retail outlets and recreational facilities.

In China, the economy grew at 9.5% in the first half of 2005. The recent move to float the yuan to a basket of currencies and the government's continuing measures to stabilise the property market are positive for the further development of China's economy. The GLL Group expects the economic growth and the demand for residential properties in China to remain sustainable in the medium and long run. Besides Shanghai and Beijing, the GLL Group's recent acquisition of a sizeable residential site in the Xuanwu district of Nanjing City, marks the GLL Group's entry into another major city in China.

In Malaysia, the GLL Group has increased its interest in GuocoLand (Malaysia) Berhad ("GLM") to 44.1%. With the recent positive changes in the guidelines in Malaysia for the operation of Real Estate Investment Trusts ("REIT"), GLM announced recently that it will be setting up a REIT with the investment objectives of acquiring and investing in a portfolio of quality yield-accretive commercial real estate which will provide a stable income and medium to long-term capital appreciation to unitholders as well as provide stable recurring management income to GLM. Subject to approvals of the relevant authorities, units in GLM REIT are proposed to be listed on the Main Board of Bursa Malaysia Securities Berhad.

The depegging of the ringgit to the US dollar and an upbeat economic growth outlook are positive developments in Malaysia, which is also a core property market for the GLL Group, through its interest in GLM.

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

The HLCB Group recorded a higher pre-tax profit of RM808.2 million as compared to RM719.0 million in the previous year, an increase of 12.4%. This is mainly due to higher profit from the banking division as reported below and savings in finance costs of RM8.2 million.

At the operating level, the profit after tax and minority interest amounted to RM375.2 million, representing an increase of 31.5% from RM285.3 million of the previous year, which was before including the gain of RM103.2 million on deemed disposal of shares in Hong Leong Bank Berhad by HLCB as a result of a special issue of shares to Bumiputra investors last year.

The banking division recorded a pre-tax profit of RM722.2 million, an increase of 36.6% or RM193.5 million as compared to RM528.7 million in the previous year. Total income increased by RM69.7 million, mainly from non-interest income. Loan loss provision declined by RM201.3 million due to the absence of lumpy specific provisions made in the previous year.

The insurance division registered a profit before tax of RM95.5 million for the financial year ended 30 June 2005 compared to a profit before tax of RM124.1 million for the previous year, a decrease of 23.0%. This was principally due to lower investment income as well as the lower underwriting profit. Investment income decreased against last year when a large portion of equity holdings was disposed of while taking advantage of the positive sentiments in the Malaysia Stock Exchange.

The stockbroking division registered a profit before taxation of RM16.9 million compared to a profit before tax of RM30.7 million in the previous financial year, a decrease of 45.0%. The lower profit before tax for the current financial year was due to less favourable stock market conditions.

Camerlin Group Berhad (“CGB”) - 61.6% owned by the Group

CGB recorded a profit before tax of RM34.9 million for the six months period ended 30 June 2005 as compared with that of RM38.1 million for the corresponding period last year. The decrease in profit before tax is due to lower profit contribution from its 22.3% owned associate, BIL International Limited (“BIL”), which is CGB’s only investment. The better results achieved by BIL in the preceding year’s corresponding period were primarily due to the exceptional gain resulting from disposal of investments and unrealised foreign exchange gains.

BIL is an international investment company with a global portfolio of investments. BIL’s current key investments are in (i) Thistle Hotels, a hotel chain in the United Kingdom; (ii) development properties on the island of Molokai in Hawaii; (iii) development properties in Denarau, Fiji; and (iv) a share in the 2.5% royalty on the gross value of all hydrocarbons, liquid or gas produced and recovered in designated areas within Australia’s Bass Strait.

Financial Commentary

Turnover

Overall turnover increased by HK\$2,828 million or 23.6%, mainly attributable to the increase of 19.3% or HK\$1,928 million in income from treasury and investment management.

Treasury and investment management sector accounted for approximately 86.1% of the contribution from operations.

Borrowings

By 30 June 2005, the Group had reduced its total borrowings by 13.9% to HK\$3,830 million from HK\$4,446 million as at 30 June 2004. Unsecured borrowing comprises 45.1% of total borrowings. The borrowings 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	1,058,927	92,262	1,151,189
After 1 year but within 2 years	728,050	612,480	1,340,530
After 2 years but within 5 years	784,350	553,654	1,338,004
	<u>1,512,400</u>	<u>1,166,134</u>	<u>2,678,534</u>
	<u>2,571,327</u>	<u>1,258,396</u>	<u>3,829,723</u>

The loans are secured by the following:

- legal mortgages on investment properties with a book value of HK\$575 million;
- legal mortgages on development properties with a book value of HK\$3,449 million; and
- certain equity investments with total carrying value of HK\$382 million.

As at 30 June 2005, the Group has net cash balance of HK\$19,740 million after netting off the total borrowings of HK\$3,830 million.

Contingent Liabilities

As at 30 June 2005, neither the Group nor the Company had any contingent liabilities.

Capital and Finance

The Group's consolidated shareholders' funds as at 30 June 2005 after adjusting for the major items set out below, amounted to HK\$32,611 million. The major adjustments are as follows:

- share repurchased and cancelled by a subsidiary of HK\$27 million;
- share of subsidiaries' and associates' capital reserves movement of HK\$45 million;
- net exchange difference of HK\$75 million; and
- purchase of own shares for the Share Option Plan of HK\$79 million.

Human Resources and Training

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 280 employees as at 30 June 2005. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to providing its staff with ongoing development programmes to enhance productivity and work quality.

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

OUTLOOK

Looking ahead, the investment climate remains uncertain. The high oil prices are exerting more pressure on global markets and Asia is vulnerable given its high dependency on oil imports. In the US, its economy has so far been resilient but a number of its structural issues, such as the twin deficits, remain unresolved. Low nominal interest rates continue to support equity valuation but prices are already fairly valued, with markets such as Australia trading near all time highs and most European markets at 3-year highs. On the other hand, there are opportunities around. Japan presents an interesting case as the economy and its corporate sector are producing more evidence of a turnaround. Exchange rate reforms for China and Malaysia present both threats and opportunities and we believe there is potential to explore in various sectors.

In China, economic growth may slow down marginally due to the implementation of macro control policies on the property market earlier this year, impact of a higher currency and problems from recent fuel shortages. However, there should not be any major concern as growth is still expected to be around 8% in both 2005 and 2006. This is positive for Hong Kong given the increasing integration of the two economies. Rising interest rates in the US will also affect the Hong Kong property market but so far property prices have stayed firm, reflecting the revival in the underlying economy and an improved employment market. China and Hong Kong will continue to be a major focus within our investment universe.

It will be a challenge to repeat the good investment results of last year but the Group remains confident that it is well-positioned to continue to deliver value to our shareholders.

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

During the year, a wholly owned subsidiary of the Company, as the trustee for a trust (the "Trust") set up for the purpose of acquiring existing shares of the Company to satisfy the exercise of options which may be granted under the share option plan adopted by the Company on 16 December 2002, purchased an aggregate of 1,020,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK\$78,744,522 for the Trust.

Save as above, during the year the Company had not redeemed, neither the Company nor any of its other subsidiaries purchased or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

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 which was applicable to the Company during the year, 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.

Code on Corporate Governance Practices

On 25 February 2005, the Company adopted the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in the new Appendix 14 to the Listing Rules applicable to the accounting periods commencing on or after 1 January 2005. The CGP Code was adopted to take effect for accounting periods of the Company commencing on or after 1 July 2005.

Model Code for Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code for the year.

BOARD AUDIT COMMITTEE (the "BAC")

The BAC currently comprises Messrs. Harry Richard Wilkinson (Chairman), Sat Pal Khattar and Volker Stoeckel, all being independent non-executive directors of the Company. The BAC oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal control.

The BAC meets with the Company's external auditors and the internal auditors, and reviews the audit plans, the internal audit programme, the results of their examinations and their evaluations of the system of internal control. It also reviews interests in contracts and connected transactions. The BAC 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. Four BAC meetings were held during the year.

The terms of reference of the BAC were revised to align with the provisions of the CGP Code with effect from 1 July 2005.

REMUNERATION COMMITTEE (the "RC")

The RC has been established taking effect from 1 July 2005 with written terms of reference made pursuant to the relevant provisions of the CGP Code. The RC comprises Messrs. Quek Leng Chan (Chairman), Harry Richard Wilkinson and Volker Stoeckel, two of whom are independent non-executive directors of the Company.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company maintained the sufficient public float at all times during the year.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all information 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 of the Company will be closed from 13 October 2005 to 18 October 2005, both days inclusive, during which period no share transfers will be registered.

To qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:00 p.m. on 12 October 2005.

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, 16 September 2005