
HUTCHISON GLOBAL COMMUNICATIONS HOLDINGS LIMITED**AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2004****HIGHLIGHTS**

	2004	2003	Changes
Profit attributable to shareholders	HK\$97 million	HK\$53 million	83%
Basic earnings per share	1.48 cents	1.08 cents	37%

- Profit attributable to shareholders increased 83% to HK\$97 million
- EBIT improved 66% to reach HK\$197 million, after excluding one-off gains from Universal Service Contribution refund and government rates adjustment in 2003
- Basic earnings per share increased 37% to reach 1.48 cents

CHAIRMAN'S STATEMENT**RESULTS**

We are pleased to report that following the combination of Vanda Group¹, HGC Group² and PowerCom Group³ in March 2004, Hutchison Global Communications Holdings Limited (formerly, Vanda Systems & Communications Holdings Limited) (the "Company") and its subsidiaries and associates (the "Group") achieved strong growth in all areas of their business. Such growth translates into profit attributable to shareholders for the year ended 31 December 2004 in the amount of HK\$97 million, representing an improvement of 83% over the previous year. Basic earnings per share increased by 37% to reach 1.48 cents. In terms of revenue and profit growth, we believe the performance of the Group's telecommunications business compares very favourably with those achieved by the other fixed telecommunications network licence holders in Hong Kong.

DIVIDEND

Despite the net profits⁴ recorded over the past two years, the Company is not in a position to pay a dividend until its accumulated losses from previous years are written off. Management has been focusing on the necessary formalities to be addressed for eliminating such accumulated losses in order to place the Board in a position to consider recommending a dividend payment in the near future. For the year ended 31 December 2004, the Directors do not recommend the payment of dividend.

¹ Vanda Systems & Communications Holdings Limited and its subsidiaries and associates

² Hutchison Global Communications Investments Limited and its subsidiaries

³ PowerCom Network Hong Kong Limited and its subsidiaries

⁴ Net profits represent profit attributable to shareholders as shown in the consolidated profit and loss account for the year ended 31 December 2004 and 2003 respectively

OPERATIONS

During the past year, competition intensified in all segments of the telecommunications market including those segments which had previously been dominated by a limited number of operators. Such intensive competition resulted in severe price erosion and caused several well-established players to exit the market. As prices have fallen to very affordable levels, consumers increasingly favour operators which can provide superior technical and service qualities, reliabilities and value added solutions.

We pride ourselves on our state-of-the-art fibre-to-the-building network infrastructure, recognized as one of the most advanced not just in Hong Kong but also in the world. Our network enables us to offer a whole spectrum of voice, data, video, multi-media and broadband applications at a very high transmission speed. As we continue to expand our network coverage in Hong Kong to reach more than 1.2 million households and over 5,000 buildings, we are now providing premium telecommunications services to all segments of the territory's residential and business markets. The superior quality of our network is attested by the many recognitions from consumer bodies and market commentators over the past years.

Building upon this solid foundation, the number of subscribers for our residential voice and broadband services grew by 17% to 248,000 and 47% to 175,000 respectively over 2003, and our data service revenue improved by 13% during the year, amid significant price fall. Our clients include all major fixed line and mobile service providers, many international retail and investment banks, a large number of statutory and quasi-governmental bodies, hospitals, schools and some mission-critical institutions like the Hong Kong Jockey Club. Recently, content service providers like Galaxy Satellite Broadcasting Limited chose to cooperate with us to deliver innovative infotainment contents to Hong Kong households and fast growing global Internet telephony provider, Skype Technologies S.A., entered into a co-branding agreement with us to promote their service in the territory. It is expected that these cooperations will increase customer intake for our residential broadband services and add to the range of bundled products we can offer to our customers. It also demonstrates our distinctive position within the industry making us the partner of choice for launching new broadband applications and services.

On the international front, we have established an international team to provide regional and international telecommunications services several years ago. In anticipation of an upsurge in demand as prices continue to fall, the team has forged strong alliances with major telecommunications operators across the globe and has established presence outside Hong Kong including Malaysia, the Philippines, Singapore, Taiwan, Thailand and the United States, and in Mainland China – Beijing, Shanghai and Shenzhen. These arrangements allow the Group to deal directly with carriers and corporations with local and regional presence for the provision of a full range of telecommunications services. In 2004, we have more than doubled our traffic volume and capacity with such carriers and corporations for both voice and data services. By the end of 2004, our interconnection arrangements with international carriers stand at 77, an increase of 30 over last year.

Our international platform spans and connects to many major countries across the globe as well as emerging markets such as Vietnam and Russia. The platform is established on basis of indefeasible right of use and leases together with a variety of cooperation arrangements with international operators. Playing a leading role in the industry, we established in 2004 the world's first Ethernet to Ethernet services with top broadband carriers in South Korea and Taiwan. Recently, we have also embarked on the setting up of a private internet peering arrangement with PCCW Limited and New World Telecommunications Limited to strengthen our management of bandwidth and Internet access. For communications to and from Mainland China, our direct connections with major mainland operators are capable of delivering a transmission speed of 22.5 Gbit/s (gigabits per second) which exceeds those offered by any other fixed line telecommunications operators in Hong Kong with direct fibre land links to Mainland China. Our international circuits are directly connected to our self-managed local loops in Hong Kong, enabling us to provide one-stop services to our customers.

Our telecommunications services division contributed EBIT⁵ of HK\$174 million for 2004, an improvement of 47% over 2003 (after excluding one-off gains of HK\$24 million from Universal Service Contribution refund and HK\$24 million from government rates adjustment in 2003). The exciting growth prospect of the Group has continued to attract promising talents across the industry.

As regards our IT solutions division, we are encouraged by the results achieved in 2004. For the period from the combination on 12 March 2004 to 31 December 2004, EBIT generated by our IT business amounted to HK\$23 million. This is in sharp contrast with loss from operating activities of HK\$52 million incurred for the 9-month period ended 31 December 2003.

OUTLOOK

The overall market sentiment has recently improved and a healthy growth in the Hong Kong's economy is generally expected for 2005. Increasing inbound and outbound PRC investment activities, as well as the recent tourism boom are both expected to benefit the resurgent economy. The outlook for the Asian region is also positive. This positive sentiment is expected to increase the demand for both local and international bandwidth and also boost spending in telecommunications and IT projects in the business sector.

Looking ahead, we will continue to leverage our state-of-the-art network and capitalise on the many advantages it offers, particularly in the rollout of new broadband products employing modern Internet Protocol-based ("IP") technology. As our network is already voice over Internet protocol ("VoIP") enabled, we are now working towards integration of fixed and mobile services in our efforts to establish a most powerful next generation network.

⁵ EBIT represents operating profit or earnings before finance costs, share of losses of an associated company, taxation and minority interests.

The Group is in a privileged position of being a member of the Hutchison Whampoa Limited Group that engages in fixed-line telecommunications business on a global basis. Accordingly, it is in a favourable position to satisfy intra-group demand for bandwidth and fixed-line telecommunications services and pursue new ventures with the affiliated mobile telephone operations.

With our network coverage now spanning over 800,000 kilometres of core fibre optical cable in Hong Kong, and serving over 50 cities across the globe, we consider that it is the appropriate time for more intense marketing activities. Our aim is to make the Group a household name not only in Hong Kong but also in Asia. Whilst the future is full of challenges, we are confident of becoming a formidable player in both Hong Kong and the region.

I would like to take this opportunity to thank the Board of Directors and all of the Group's employees for their hard work, support and dedication.

Fok Kin-ning, Canning
Chairman
Hong Kong, 7 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the year ended 31 December 2004*

		2004 HK\$'000	2003 HK\$'000
	Note		
Turnover	3	2,720,610	1,601,130
Cost of sales		(1,715,274)	(805,341)
		<u>1,005,336</u>	<u>795,789</u>
Other revenues		16,522	7,407
Selling, general and administrative expenses		(358,317)	(223,858)
Depreciation and amortisation		<u>(466,505)</u>	<u>(412,268)</u>
Operating profit	3	197,036	167,070
Finance costs	4	(95,272)	(114,230)
Share of losses of an associated company		<u>(217)</u>	<u>-</u>
Profit before taxation		101,547	52,840
Taxation	5	<u>(3,437)</u>	<u>-</u>
Profit after taxation		98,110	52,840
Minority interests		<u>(1,598)</u>	<u>-</u>
Profit attributable to shareholders		<u>96,512</u>	<u>52,840</u>
Basic earnings per share	6	<u>1.48 cents</u>	<u>1.08 cents</u>
Diluted earnings per share	6	<u>1.33 cents</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET*At 31 December 2004*

	Note	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Fixed assets		6,404,430	6,045,145
Goodwill		34,756	-
Prepaid capacity and maintenance		1,238,455	1,277,627
Prepaid network costs		184,975	125,458
Interests in an associated company		3,018	-
Pension assets		670	422
Long term investment		-	-
Other investments		-	-
		<u>7,866,304</u>	<u>7,448,652</u>
Current assets			
Inventories		18,589	-
Trade receivables	7	539,915	168,293
Other receivables, deposits and prepayments		86,110	22,087
Tax recoverable		2,971	-
Due from an immediate holding company		562	193
Due from fellow subsidiaries		40,178	46,753
Pledged bank deposits		10,068	-
Cash and bank balances		135,312	8,446
		<u>833,705</u>	<u>245,772</u>
Current liabilities			
Trade payables	8	170,303	278,975
Tax payable		15,643	-
Other creditors and accruals		591,087	311,159
Deferred income		403,090	355,790
Due to an intermediate holding company		9,643	16,401
Due to fellow subsidiaries		7,845	232
Current portion of finance lease		41	-
Interest-bearing loans and overdrafts		163,286	1,239
		<u>1,360,938</u>	<u>963,796</u>

CONSOLIDATED BALANCE SHEET (continued)*At 31 December 2004*

	2004 HK\$'000	2003 HK\$'000
Net current liabilities	<u>(527,233)</u>	<u>(718,024)</u>
Total assets less current liabilities	<u>7,339,071</u>	<u>6,730,628</u>
Non-current liabilities		
Finance lease payable	90	-
Long term loan from an intermediate holding company	-	3,423,981
Long term loans from a fellow subsidiary	3,865,828	-
Convertible note	3,200,000	-
Bank and other loans	31,199	14,653
Deferred taxation	265	-
	<u>7,097,382</u>	<u>3,438,634</u>
Minority interests	<u>5,162</u>	<u>-</u>
Net assets	<u>236,527</u>	<u>3,291,994</u>
Capital and reserves		
Issued equity	2,125,569	5,278,364
Reserves	<u>(1,889,042)</u>	<u>(1,986,370)</u>
Shareholders' funds	<u>236,527</u>	<u>3,291,994</u>

1. *Reverse Acquisition Accounting*

The consolidated financial statements have been prepared based on the reverse acquisition method following the requirements under Hong Kong Financial Reporting Standard (“HKFRS”) 3, “Business Combinations” in accounting for the transaction whereby the businesses of Vanda Systems & Communications Holdings Limited (“Vanda”), Hutchison Global Communications Investments Limited (“HGC”) and PowerCom Network Hong Kong Limited (“PowerCom”) (collectively “the Group”) were consolidated as from the acquisition date of 12 March 2004. Pursuant to the requirements under HKFRS 3, HGC is deemed to be the effective acquirer of Vanda. The consolidated financial statements have been prepared as a continuation of the consolidated financial statements of HGC and its subsidiaries (the “HGC Group”). Accordingly, the consolidated financial statements for 2004 represent the consolidated financial statements of HGC, and the results of Vanda are included in the consolidated financial statements from the acquisition date.

The acquisition of Vanda and PowerCom is accounted for by using the purchase method. Under this method, the identifiable assets and liabilities of Vanda and PowerCom were assessed at their fair value at 12 March 2004. Under HKFRS 3, the deemed consideration is determined based on the fair value of the equity instruments deemed to have been issued by HGC to the shareholders of Vanda or the fair value of the equity instruments of Vanda before the business combination. The determination of the deemed consideration requires the exercise of significant judgement, including considering factors such as published market prices and volumes of trading for quoted instruments and other factors. The Directors have made an estimation of the deemed consideration based on all the relevant and available facts and information, and the difference between the deemed consideration and the fair value of the identifiable assets and liabilities of Vanda and PowerCom amounting to approximately HK\$35 million, has been accounted for as goodwill arising from the acquisition in the consolidated balance sheet.

The 2003 comparative figures represent the consolidated financial statements of HGC Group only.

2. *Basis of Preparation*

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements are prepared under the historical cost convention except that of other investments and investment properties, which are stated at fair values.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and related interpretations (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. In the current year, the Group has early adopted the following new HKFRSs:

HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HKAS-INT 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets

Except for the adoption of HKFRS 3 “Business Combinations” to account for reverse acquisition as set out in Note 1, the adoption of the above new HKFRSs had no material effects on the Group's results.

The Group has not early adopted other new HKFRSs except for those mentioned above in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

At 31 December 2004, the Group had net current liabilities of HK\$527,233,000 and significant capital expenditure contracted but not provided for of HK\$637,922,000. The Group has obtained loan facilities amounting to HK\$4.4 billion from Hutchison Telecommunications International (HK) Limited, a fellow subsidiary of the Company, of which approximately HK\$3.9 billion has been utilised as at 31 December 2004. With these loan facilities continued to be available to the Group for a period of at least twelve months, the Directors are of the opinion that the Group will be able to meet its liabilities as they fall due and to continue in business for a period of at least twelve months from the date of this report. Consequently, the Directors have prepared the financial statements on a going concern basis.

3. *Segment Information*

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment.

Business segment:

	Telecommunications Services		IT Solutions		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:						
Turnover	1,904,179	1,601,130	816,431	-	2,720,610	1,601,130
Segment results:						
Segment profit						
before amortisation						
and depreciation	636,149	579,338	27,392	-	663,541	579,338
Amortisation and						
depreciation	(461,669)	(412,268)	(4,836)	-	(466,505)	(412,268)
Operating profit	174,480	167,070	22,556	-	197,036	167,070
Share of losses of an						
associated company	-	-	(217)	-	(217)	-
Profit before finance						
costs and taxation	174,480	167,070	22,339	-	196,819	167,070
Finance costs					(95,272)	(114,230)
Taxation					(3,437)	-
Profit after taxation					98,110	52,840
Minority interests					(1,598)	-
Profit attributable to					96,512	52,840
shareholders						
Capital expenditures	735,510	1,297,717	4,720	-	740,230	1,297,717

3. *Segment Information (continued)*

	Telecommunications Services		IT Solutions		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment assets	8,209,859	7,694,424	449,405	-	8,659,264	7,694,424
Goodwill	34,756	-	-	-	34,756	-
Interest in an associated company	-	-	3,018	-	3,018	-
	<u>8,244,615</u>	<u>7,694,424</u>	<u>452,423</u>	<u>-</u>	<u>8,697,038</u>	<u>7,694,424</u>
Unallocated assets					2,971	-
Total assets					<u>8,700,009</u>	<u>7,694,424</u>
Segment liabilities	<u>894,776</u>	<u>962,557</u>	<u>287,192</u>	<u>-</u>	1,181,968	962,557
Unallocated liabilities					7,260,444	3,439,873
Current and deferred tax					15,908	-
Total liabilities					<u>8,458,320</u>	<u>4,402,430</u>

Segment Information (Continued)

Geographical segment:

	Hong Kong and Macau		Mainland China		Rest of Asia		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover	2,099,484	1,601,130	187,313	-	433,813	-	2,720,610	1,601,130
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit	163,334	167,070	18,048	-	15,654	-	197,036	167,070
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital expenditures	737,234	1,297,717	2,279	-	717	-	740,230	1,297,717
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Segment assets	8,333,421	7,694,424	146,756	-	179,087	-	8,659,264	7,694,424
Goodwill	34,756	-	-	-	-	-	34,756	-
Interests in an associated company	-	-	3,018	-	-	-	3,018	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	8,368,177	7,694,424	149,774	-	179,087	-	8,697,038	7,694,424
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unallocated assets							2,971	-
							<u> </u>	<u> </u>
Total assets							8,700,009	7,694,424
							<u> </u>	<u> </u>

4. Finance Costs

	2004 HK\$'000	2003 HK\$'000
Interest on :		
Bank loans, overdrafts and supplier loans and other loans wholly repayable within five years	3,474	-
Bank loans and other loans not wholly repayable within five years	1,143	52,736
Finance lease	12	-
Convertible note	25,862	-
Loans from an intermediate holding company	51,777	34,433
Loan from a fellow subsidiary	25,441	-
Unamortised prepaid finance costs written off	-	51,150
	<hr/>	<hr/>
	107,709	138,319
Less: interest capitalised in fixed assets	(12,437)	(24,089)
	<hr/>	<hr/>
	95,272	114,230
	=====	=====

The capitalisation rate applied to fund borrowed is between 1.9% and 2.6% per annum (2003: 1.9% and 3.4%).

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

5. *Taxation (Continued)*

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Current taxation		
- Hong Kong	497	-
- Outside Hong Kong	3,313	-
Deferred taxation relating to the origination and reversal of temporary differences	(373)	-
	<u>3,437</u>	<u>-</u>
	=====	=====

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the countries concerned as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	101,547	52,840
	<u> </u>	<u> </u>
Notional tax calculated at rates applicable to profits/(losses) in the countries concerned	20,047	8,640
Income not subject to taxation	(1,935)	(76)
Expenses not deductible for taxation purpose	6,454	100
Utilisation of previously unrecognised tax losses	(41,641)	(8,664)
Tax losses and temporary differences not recognised	20,512	-
	<u>3,437</u>	<u>-</u>
	=====	=====

6. *Earnings Per Share*

Under the reverse acquisition accounting, the 4,875,000,000 ordinary shares issued by the Company to acquire HGC are deemed to be the number of ordinary shares outstanding on 1 January 2003 for the purpose of computing earnings per share.

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders for the year ended 31 December 2004 of HK\$96,512,000 (2003: HK\$52,840,000)

and the weighted average of 6,509,133,564 ordinary shares in issue during the year ended 31 December 2004 (2003: 4,875,000,000 ordinary shares).

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on the Group's profit attributable to shareholders for the year of HK\$96,512,000, adjusted for the interest saved in conversion of the convertible note of HK\$25,792,000. The weighted average number of ordinary shares used in the calculation is 6,509,133,564 ordinary shares in issue during the year, adjusted for the weighted average of 204,435 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options, and for the weighted average of 2,686,703,096 ordinary shares assumed to have been converted from the convertible note.

7. Trade Receivables

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses in which they operate. For telecommunications services provided to mass market customers, the average credit period ranges from 30 to 60 days. The credit terms given to other customers vary and are generally based on the financial strength of individual customers.

	2004 HK\$'000	2003 HK\$'000
Current to 30 days	272,576	100,746
31 to 90 days	136,052	67,179
Over 90 days	131,287	368
	<hr/> 539,915	<hr/> 168,293
	=====	=====

8. Trade Payables

The aged analysis of trade payables at the balance sheet date is as follows:

	2004 HK\$'000	2003 HK\$'000
Current to 30 days	69,582	8,607
31 to 90 days	38,365	69,655
Over 90 days	62,356	200,713
	<hr/>	<hr/>
	170,303	278,975
	=====	=====

Group Capital Resources and Liquidity

At 31 December 2004, the Group's cash and bank balances (excluding pledged bank deposits) were HK\$135 million (31 December 2003: HK\$8 million) of which 15% were denominated in Hong Kong dollars, 22% in Singapore dollars, 21% in Renminbi, 25% in US dollars and 17% in other currencies.

At 31 December 2004, the Group's borrowings of HK\$7,260 million (31 December 2003: HK\$3,440 million) were 99% denominated in Hong Kong dollars with the balance in other currencies.

At 31 December 2004, approximately 45% of the Group's borrowings bore interest at fixed rates and the remaining 55% were at floating rates.

The net debt to net capital ratio⁶ of the Group as at 31 December 2004 was approximately 97% (31 December 2003: 51%). Excluding the loans and convertible note due to companies controlled by Hutchison Whampoa Limited, the ultimate holding company of the Group, the net debt to net capital ratio of the Group as at 31 December 2004 was approximately 17% (31 December 2003: 0.23%).

The Group's capital expenditures have dropped to HK\$740 million (2003: HK\$1,298 million). Capital expenditures are shown by business segment in Note 3 above.

⁶ Net debt is defined as total borrowings (excluding finance lease payable) net of total cash and cash equivalents (including pledged bank deposits). Net capital is defined as net debt plus issued equity, reserves and minority interests.

Dividend

The Directors do not recommend the payment of dividend for the year ended 31 December 2004 (2003: nil)

Treasury Policies

The Group adopts a conservative and balanced treasury policy. At 31 December 2004, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Pledge of Assets

As at 31 December 2004, other than the pledged deposits which were disclosed on the consolidated balance sheet, certain of the Group's leasehold land and buildings with a net book value of HK\$6 million (31 December 2003: nil) and investment properties with carrying value of HK\$19 million (31 December 2003: nil) were pledged as security for banking facilities granted to the Group. The net book value of the Group's fixed assets held under finance leases amounted to HK\$0.1 million (31 December 2003: nil).

Contingent Liabilities

At 31 December 2004, the Group had provided guarantees given to banks for facilities granted to subsidiaries of HK\$169 million (31 December 2003: nil) and guarantees given to suppliers for credit lines granted to subsidiaries of HK\$42 million (31 December 2003: nil). At 31 December 2004, the Group had provided performance guarantees amounted to HK\$5 million (31 December 2003: HK\$4 million) and for utility deposit in lieu of cash deposit of HK\$4 million (31 December 2003: HK\$9 million).

Community and Employees' Relations

The Group received a Caring Company Award from the Hong Kong Council of Social Service for its effort placed in the community. The need for care and concern within the community was particularly pronounced during the Severe Acute Respiratory Syndrome ("SARS") outbreak. During this difficult time, HGC took the lead, providing free "Video Visit Service" for SARS patients in Princess Margaret Hospital and Wong Tai Sin Hospital, enabling "face-to-face" communication platform for those kept stayed in the hospitals with the outside community.

At 31 December 2004, the Group employed a work force of 2,135 with 1,476 in HK, 522 in PRC, 136 in South-East Asia and 1 in US (31 December 2003: 1,346) and the related employee cost for the year ended, including Director's emoluments, totalled HK\$454 million (2003: HK\$359 million). The Group maintains the salary and benefit levels at a competitive level and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Purchase, Sale or Redemption of the listed securities of the Company

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares. In addition, the Company has not redeemed any of its ordinary shares during the year.

Code on Corporate Governance Practices

The Company meets the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited which came into effect on 1 January 2005, except that the Director holding office as chairman and/or the Director appointed to the position of chief executive officer of the Company are not subject to retirement by rotation. Such provision will be amended to comply with the Code.

General Information

The consolidated results of the Company and its subsidiaries for the year ended 31 December 2004 have been reviewed by the audit committee of the Company and audited by the Company's auditors, PricewaterhouseCoopers. The auditors have issued an unqualified opinion. The auditor's report will be included in the Annual Report to shareholders.

Annual General Meeting

It is proposed that the Annual General Meeting of the Company will be held on 5 May 2005. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. FOK Kin-ning, Canning (*Chairman*)
Mr. LAI Kai Ming, Dominic (*Deputy Chairman*)
Mrs. CHOW WOO Mo Fong, Susan
Mr. Frank John SIXT
Mr. Dennis Pok Man LUI
Mr. WONG King Fai, Peter
Mr. KAN Ka Wing, Frankie
Ms. CHAN Wen Mee, May
Mr. LAM Hon Nam

Non-executive Directors:

Mr. Tuan LAM
Mr. YANG Paul Chunyao
(*alternate to Mr. Tuan Lam*)

Independent Non-executive Directors:

Mr. CHENG Ming Fun, Paul
Mr. CHEONG Ying Chew, Henry
Dr. LAM Lee G.
