

## SUPPLEMENTARY INFORMATION

**(a) Disclosure pursuant to Rule 13.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**

Set out below is a proforma combined balance sheet of the Group's affiliates as at 31st December, 2004 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	<b>Pro forma combined balance sheet as at 31st December, 2004 HK\$'000</b>	<b>Group's attributable interest as at 31st December, 2004 HK\$'000</b>
Fixed assets	4,686,552	1,225,590
Trade debtors	215,232	56,526
Cash and bank balances	487,536	128,781
Trade creditors	(228,923)	(60,353)
Short term bank loans	(152,802)	(39,570)
Long term bank loans and other borrowings	(3,573,462)	(936,457)
Shareholders' advance	(200,718)	(47,566)
Other net assets	39,240	15,804
	<b>1,272,655</b>	<b>342,755</b>

The Group's attributable interest in the respective assets and liabilities represents that portion attributable to the Group before minority interests included therein.

**(b) Management of risks**

The Group had established policies and procedures for risk management which were reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times. The risk management function was carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Directors of the Group.

*(i) Credit risk*

Credit risk arose from the possibility that the counterparty in a transaction may default. It arose from lending, treasury, investment and other activities undertaken by the Group.

The credit policies for banking and margin lending businesses set out in details the credit approval and monitoring mechanism, the loan classification criteria and provision policy. Credit approval was conducted in accordance with the credit policies, taking into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Day-to-day credit management was performed by management of individual business units.

The Group had established guidelines to ensure that all new debt investments were properly made, taking into account a number of factors, including but not limiting to, the credit rating requirements, the maximum exposure limit to a single corporate or issuers; etc. All relevant departments within the Group were involved to ensure that appropriate processes, systems and controls were set in place before and after the investments were acquired.

*(ii) Liquidity risk*

The Group managed the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations met with the statutory requirement on minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fell due and to make the most efficient use of the Group's financial resources.

**(b) Management of risks** *(Continued)**(iii) Interest rate risk*

Interest rate risk primarily resulted from timing differences in the repricing of interest bearing assets, liabilities and commitments. The Group's interest rate positions arose mainly from treasury, banking and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. The interest rate risk was managed and monitored regularly by senior managers of the Group.

*(iv) Foreign exchange risk*

Foreign exchange risk was the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign exchange risk primarily arose from currency exposures originating from its commercial banking activities, foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign exchange risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans are used to manage the foreign exchange exposure. The foreign exchange risk was managed and monitored on an ongoing basis by senior managers of the Group.

*(v) Market risk*

Market risk was the risk that changes in interest rates, foreign exchange rates, equity or commodity prices would affect the prices of financial instruments taken or held by the Group. Financial instruments included foreign exchange contracts, interest rate contracts, equity and fixed income securities.

Market risk limits were approved by the Directors of the Group. Actual positions were compared with approved limits and monitored regularly by the Executive Directors and senior managers of the Group. Exposures were measured and monitored on the basis of principal and notional amounts, outstanding balances and pre-determined stop-loss limits. All market risk trading positions were subject to periodic mark-to-market valuation, which was monitored and managed by senior managers of the Group. With respect to the investment accounts, the Group had established evaluation procedures for the selection of investments and fund managers and the Executive Directors and senior managers of the Group perform regular reviews of the operation and performance of these investment accounts and ensure compliance with the market risk limits and guidelines adopted by the Group.