

**ANNOUNCEMENT
SALE AND PURCHASE AGREEMENT
RELATING TO 71,172,395 ORDINARY SHARES IN GUOCO GROUP LIMITED
POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY**



**FOR AND ON BEHALF OF GUOLINE OVERSEAS LIMITED
FOR ALL THE ISSUED ORDINARY SHARES
OF US\$0.50 IN THE SHARE CAPITAL OF GUOCO GROUP LIMITED
(OTHER THAN THOSE ORDINARY SHARES ALREADY
OWNED OR AGREED TO BE ACQUIRED BY GUOLINE OVERSEAS LIMITED)**

THE SALE AND PURCHASE AGREEMENT

On 26 March 2004, the Offeror entered into an unconditional sale and purchase agreement with Kuwait Investment Office in relation to the purchase of 71,172,395 Ordinary Shares, representing approximately 21.63% of the issued share capital of the Company at a price of HK\$58 per Ordinary Share. The purchase price of HK\$58 per Ordinary Share represents a discount of approximately 5.7% to the closing price of HK\$61.50 per Ordinary Share as quoted on the Stock Exchange on 25 March 2004, being the last trading day prior to the date of this announcement. The consideration amounts to HK\$4,127,998,910 and will be paid in cash by the Offeror on Completion. Completion of the Sale and Purchase Agreement is expected to take place on 6 April 2004.

UNCONDITIONAL MANDATORY CASH OFFER

Upon Completion, the Offeror Parties will own an aggregate of 215,581,614 Ordinary Shares, representing approximately 65.52% of the entire issued share capital of the Company. Of these, 208,219,135 Ordinary Shares (representing approximately 63.28% of the entire issued share capital of the Company) will be owned by the Offeror and 7,362,479 Ordinary Shares (representing approximately 2.24% of the entire issued share capital of the Company) will be owned by parties acting in concert with it. Under Rule 26.1 of the Code, the Offeror is required to make a mandatory unconditional cash offer for all the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror Parties.

Standard Chartered Bank, for and on behalf of the Offeror, will make a mandatory unconditional cash offer for all the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror on the following basis:

For each Offer Share HK\$58 in cash

If within 12 months following Completion any of the Offeror Parties makes a general offer (other than the Offer) (a "Subsequent Offer") to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than the price per Ordinary Share under the Offer which, if conditional, becomes or is declared unconditional, the Offeror will pay to the Shareholders who have accepted the Offer an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds the final offer price per Ordinary Share under the Offer within 10 days after the Subsequent Offer is declared unconditional in all respects or, if already unconditional, within 10 days after the date of posting to Shareholders the offer document containing the offer at the higher price.

Standard Chartered Bank is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

Pursuant to Rule 8.2 of the Code, within 21 days after the date of this announcement or such later date as the Executive may approve, the Offeror will despatch the Offer document to Shareholders containing, amongst other things, the terms of the Offer, together with forms of acceptance and transfer.

The Offeror has no intention to increase the price per Offer Share under the Offer from HK\$58.

THE SALE AND PURCHASE AGREEMENT

On 26 March 2004, the Offeror entered into a sale and purchase agreement with Kuwait Investment Office for the acquisition of the Sale Shares details of which are as follows:

Seller: Kuwait Investment Office.
Buyer: Guoline Overseas Limited.
Sale Shares: 71,172,395 Ordinary Shares, representing approximately 21.63% of the entire issued share capital of the Company as at the date of this announcement.
The Sale Shares will be acquired free from all liens, charges, encumbrances, equities and adverse interests and with all rights attached or accruing thereto at date of Completion excluding the right to receive the Interim Dividend.
Consideration: HK\$4,127,998,910 (equivalent to HK\$58 per Sale Share), which was negotiated and determined on an arm's length basis between Kuwait Investment Office and the Offeror.
Completion: It is expected that completion of the Sale and Purchase Agreement will take place on 6 April 2004. There are no conditions to completion of the Sale and Purchase Agreement.

The purchase price of HK\$58 per Ordinary Share represents a discount of approximately 5.7% to the closing price of HK\$61.50 per Ordinary Share as quoted on the Stock Exchange on 25 March 2004, being the last trading day prior to the date of this announcement. The consideration amounts to HK\$4,127,998,910 and will be paid in cash by the Offeror on Completion.

In addition to the HK\$58 per Sale Share the Offeror has agreed to pay the following amounts to Kuwait Investment Office in respect of the Sale Shares:

- if pursuant to the Offer the price per Ordinary Share offered to the Shareholders is higher than HK\$58 per Ordinary Share an amount equal to the difference between such higher price per Ordinary Share and HK\$58 per Ordinary Share in respect of each of the Sale Shares; and
- if within 12 months following Completion any of the Offeror Parties makes a general offer (other than the Offer) (a "Subsequent Offer") to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than HK\$58 per Ordinary Share (or any increased price referred to in paragraph (a) above) which, if conditional, becomes or is declared unconditional, an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds HK\$58 (or any increased price payable under the Offer).

Payment of any additional amounts due under terms set out in paragraphs (a) and (b) above will be made within 10 days after the relevant general offer (that is the Offer or the relevant Subsequent Offer) is declared unconditional in all respects or, if already unconditional, within 10 days after the date of posting to Shareholders the offer document containing the offer at the higher price.

The arrangements described in paragraph (a) above constitute a special deal under Rule 25 of the Code. However, the Executive has given its consent to such a deal on the basis that the Offeror confirms that it has no intention to increase the price per Share under the Offer from HK\$58.

The Executive has ruled that the arrangements described in paragraph (b) above do not constitute a special deal under Rule 25 of the Code since the Offeror will also pay to the Shareholders who accept the Offer an additional amount on the terms referred to in paragraph (b) above.

UNCONDITIONAL MANDATORY CASH OFFER

Upon Completion, the Offeror Parties will own an aggregate of 215,581,614 Ordinary Shares, representing approximately 65.52% of the entire issued share capital of the Company. Of these 208,219,135 Ordinary Shares (representing approximately 63.28% of the entire issued share capital of the Company) will be owned by the Offeror and 7,362,479 Ordinary Shares (representing approximately 2.24% of the entire issued share capital of the Company) will be owned by parties acting in concert with it. Under Rule 26.1 of the Code, the Offeror is required to make a mandatory unconditional cash offer for all the Ordinary Shares not already owned or agreed to be acquired by the Offeror Parties.

Standard Chartered Bank, for and on behalf of the Offeror, will make a mandatory unconditional cash offer for all the Ordinary Shares not already owned or agreed to be acquired by the Offeror on the following basis:

Terms
For each Offer Share HK\$58 in cash

If within 12 months following Completion any of the Offeror Parties makes a general offer (other than the Offer) (a "Subsequent Offer") to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than the price per Ordinary Share under the Offer which, if conditional, becomes or is declared unconditional, the Offeror will pay to the Shareholders who have accepted the Offer an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds the final offer price per Ordinary Share under the Offer within 10 days after the Subsequent Offer is declared unconditional in all respects or, if already unconditional, within 10 days after the date of posting to Shareholders the offer document containing the offer at the higher price.

The cash offer price per Offer Share is equal to the consideration paid by the Offeror for each Sale Share (being the highest price paid by the Offeror Parties for the acquisition of Ordinary Shares in the six-month period preceding the date of this announcement).

The Offeror has no intention to increase the price per Offer Share under the Offer from HK\$58.

The Offer Price of HK\$58 per Ordinary Share represents:

- a discount of approximately 5.7% to the closing price of HK\$61.50 per Ordinary Share as quoted on the Stock Exchange on 25 March 2004, being the last trading day prior to the date of this announcement;
- a discount of approximately 5.5% to the average closing price of HK\$61.35 per Ordinary Share over the 10 trading days up to and including 25 March 2004;
- a discount of approximately 3.2% to the average closing price of HK\$59.91 per Ordinary Share over the 20 trading days up to and including 25 March 2004;
- a discount of approximately 2.1% to the average closing price of HK\$59.22 per Ordinary Share over the 60 trading days up to and including 25 March 2004; and
- a discount of approximately 35.9% to the unaudited consolidated net tangible asset value per Ordinary Share of approximately HK\$90.44 as of 31 December 2003 (based on the unaudited consolidated net tangible asset value of the Company of about HK\$ 29,760.5 million and 329,051,373 Ordinary Shares in issue as stated in the last published interim report of the Company). It should be noted that the unaudited consolidated net tangible asset value has not taken into account the goodwill of an associated company, which information was not available for inclusion in the published interim report.

The highest and lowest closing prices of the Ordinary Shares as quoted on the Stock Exchange during the six-month period preceding the last trading day prior to the date of this announcement were HK\$62.25 per Ordinary Share on 17 March 2004 and HK\$51.75 per Ordinary Share on 30 September 2003 respectively.

So far as the Offeror is aware, as at the date of this announcement, the Company does not have any outstanding warrants, options or other convertible securities.

Total consideration

At present, there are 329,051,373 Ordinary Shares in issue. At a cash offer price of HK\$58 per Ordinary Share, the Offer values the entire issued share capital of the Company at approximately HK\$19,085 million. In the event that the Offer was accepted in full, the aggregate amount payable by the Offeror would be approximately HK\$7,008 million. Standard Chartered Bank is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

Effects of accepting the Offer

By accepting the Offer, Shareholders will sell their Ordinary Shares and all rights attached to them as at the date of this announcement, including the right to receive all dividends and distributions declared, paid or made on or after the date of this announcement other than the right to receive the Interim Dividend.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting of 0.1% of the consideration payable in respect of the relevant acceptance by the Shareholders will be deducted from the consideration due to such person on acceptance of the Offer. The Offeror will arrange for payment of the stamp duty in connection with such sale.

DEALINGS AND HOLDINGS IN COMPANY SECURITIES

Dealings in Company Securities

The following Offeror Parties have exercised options granted to them under the Company's executive share option scheme to subscribe for Ordinary Shares during the six-month period ended on the date of this announcement:

Date of exercise	Name	Number of Ordinary Shares	Average exercise price per Ordinary Share (HK\$)
13 November 2003	Quek Leng Chan	600,000	20.33
13 November 2003	Kwek Leng Hai	600,000	20.33
13 November 2003	Kwek Leng San	60,000	20.33

The following Offeror Parties have entered into equity derivatives the underlying shares of which are Ordinary Shares during the six-month period ended on the date of this announcement:

Reference Date	Entered into by	Type of Derivative	Number of underlying Ordinary Shares
5 January 2004	Guoinvest International Limited (Note)	Unlisted cash-settled derivative the underlying shares of which are Ordinary Shares	1,924,000

Note: Guoinvest International Limited is an indirect subsidiary of Hong Leong.

Save as disclosed above, there has been no other dealings in Ordinary Shares by the Offeror Parties in the six-month period ended on the date of this announcement.

Holdings of the Offeror Parties in Company Securities before and after Completion

Offeror Parties hold, and will hold, the following Company Securities as at the date of this announcement and immediately following Completion.

Name	Type of Company Security	Number of Company Securities (percentage of issued share capital)	
		Before Completion	After Completion
Offeror	Ordinary Shares	137,046,740 (41.65%)	208,219,135 (63.28%)
	Equity derivatives	1,433,848 (0.44%)	1,433,848 (0.44%)
MPI (BVI) Limited (Note 1)	Ordinary Shares	327,575 (0.10%)	327,575 (0.10%)
Inala Group Limited (Note 2)	Ordinary Shares	2,261,862 (0.69%)	2,261,862 (0.69%)
Quek Leng Chan (Note 3)	Ordinary Shares	1,656,325 (0.50%)	1,656,325 (0.50%)
Kwek Leng Hai (Note 3)	Ordinary Shares	2,820,775 (0.86%)	2,820,775 (0.86%)
Kwek Leng San (Note 3)	Ordinary Shares	209,120 (0.06%)	209,120 (0.06%)
Kwek Lay Kuan (Note 4)	Ordinary Shares	70,000 (0.02%)	70,000 (0.02%)
Quek Leng Chye (Note 5)	Ordinary Shares	16,822 (0.01%)	16,822 (0.01%)
Hong Leong (Netherlands Antilles) N.V. (Note 6)	Equity derivatives	7,320,359 (2.22%)	7,320,359 (2.22%)
Guoinvest International Limited (Note 6)	Equity derivatives	6,425,000 (1.95%)	6,425,000 (1.95%)

Notes:

- MPI (BVI) Limited is an indirect subsidiary of Hong Leong.
- Inala Group Limited is an associated company of Hong Leong.
- Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are all directors of both the Offeror and the Company.
- Kwek Lay Kuan is a sister of Kwek Leng Peck, who is a director of Hong Leong.
- Quek Leng Chye is the brother of Quek Leng Chan, Kwek Leng Hai and Kwek Leng San.
- Hong Leong (Netherlands Antilles) N.V. and Guoinvest International Limited are both indirect subsidiaries of Hong Leong.

OFFER DOCUMENT

Pursuant to Rule 8.2 of the Code, within 21 days after the date of this announcement or such later date as the Executive may approve, the Offeror will despatch the Offer document to Shareholders containing, amongst other things, the terms of the Offer, together with forms of acceptance and transfer.

INFORMATION ON THE COMPANY

The Company is incorporated in Bermuda with limited liability and its Ordinary Shares are listed on the Stock Exchange. The principal activities of the Group include treasury and investment management, stock and commodity broking, insurance and property investment and development.

The following table sets out a summary of the audited consolidated results of the Group for the three years ended 30 June 2003 and the unaudited consolidated results of the Group for the six months ended 31 December 2003:

	2001 HK\$ '000	For the year ended 30 June 2002 HK\$ '000	2003 HK\$ '000	For the six months ended 31 December 2003 HK\$ '000
Turnover	11,902,177	2,086,380	2,337,341	1,266,546
Net profit/(loss) for the year/period	21,264,139	1,580,695	1,225,032	1,231,195

As at 30 June 2003, the audited consolidated net tangible assets of the Group were approximately HK\$28,847.6 million. As at 31 December 2003, the Company's unaudited consolidated net tangible assets were approximately HK\$29,760.5 million (before taking into account goodwill of an associated company as at 31 December 2003, which information was not available for inclusion in the published interim report).

INFORMATION ON THE OFFEROR AND HONG LEONG

The Offeror is incorporated in Bermuda and is an indirect wholly-owned subsidiary of Hong Leong.

The Offeror is a holding company, the main asset of which is the Ordinary Shares it holds in the Company. Hong Leong is a holding company, the subsidiaries of which are engaged in the businesses of financial services, manufacturing, trading and distribution and property investment and development.

COMPULSORY ACQUISITION AND CONTINUATION OF LISTING

If the Offeror receives valid acceptances of the Offer for not less than 90% in value of the Ordinary Shares for which the Offer is made the Offeror intends to apply the provisions of section 102 of the Companies Act 1981 of Bermuda to compulsorily acquire any outstanding Ordinary Shares and to apply for a de-listing of Ordinary Shares from the Stock Exchange. However, if the Offeror receives acceptances of the Offer for less than 90% of the Ordinary Shares for which the Offer is made, it is the intention of the directors of the Offeror that the listing of the Ordinary Shares on the Stock Exchange should be maintained and appropriate steps will be taken by the Offeror as soon as possible following the closing of the Offer to ensure that not less than 25% of the Ordinary Shares will be held in public hands.

GENERAL

Standard Chartered Bank has been appointed as financial adviser to the Offeror in connection with the Sale and Purchase Agreement and the Offer.

Pursuant to Rule 8.2 of the Code, within 21 days after the date of this announcement or such later date as the Executive may approve the Offeror will despatch the Offer document, to Shareholders containing, amongst other things, the terms of the Offer, together with the forms of acceptance and transfer.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Code"	The Hong Kong Code on Takeovers and Mergers
"Completion"	completion of the Sale and Purchase Agreement
"Company"	Guoco Group Limited a company incorporated in Bermuda with limited liability the Ordinary Shares of which are listed on the Stock Exchange
"Company Securities"	Ordinary Shares, and any securities convertible into or warrants or options over the shares in the Company or any outstanding derivatives in respect of securities in the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"HKS"	Hong Kong dollars, the lawful currency of Hong Kong from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Leong"	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia
"Interim Dividend"	the interim dividend of the Company of HK\$0.40 per Ordinary Share in respect of the financial year ending 30 June 2004 payable on the 6 April 2004 to Shareholders on the register of members of the Company on 2 April 2004
"Kuwait Investment Office"	the Kuwait Investment Office acting as agent for the Government of Kuwait
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer"	the unconditional mandatory cash offer to be made by Standard Chartered Bank on behalf of the Offeror for all the Ordinary Shares not already owned or agreed to be acquired by the Offeror
"Offer Share(s)"	the Ordinary Share(s) in respect of which the Offer is made
"Offeror"	Guoline Overseas Limited a company incorporated in Bermuda with limited liability, a wholly owned indirect subsidiary of Hong Leong
"Offeror Parties"	the Offeror and parties acting in concert with it
"Ordinary Share(s)"	the ordinary share(s) of US\$0.50 each in the issued share capital of the Company
"Sale and Purchase Agreement"	the unconditional sale and purchase agreement dated 26 March 2004 between the Offeror and Kuwait Investment Office
"Sale Shares"	the 71,172,395 Ordinary Shares representing approximately 21.63% of the issued share capital of the Company being sold pursuant to the Sale and Purchase Agreement
"Shareholder(s)"	holder(s) of the Ordinary Shares
"Standard Chartered Bank"	Standard Chartered Bank, a registered institution registered for types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of the Board
Guoline Overseas Limited
Tang Hong Cheong
Authorised signatory

Hong Kong, 26 March 2004

The directors of Guoline Overseas Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of Hong Leong jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.