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國浩集團有限公司  
**Guoco Group Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 53)

**Announcement of Interim Results for the Six Months Ended 31 December 2012**

<b>FINANCIAL HIGHLIGHTS</b>	<b>Six months end 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>Increase/ (Decrease)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>	
Turnover	<b>6,317</b>	11,959	(47%)
Revenue	<b>6,017</b>	5,651	6%
Profit/(loss) from operations before finance costs	<b>3,395</b>	(2,377)	N/A
Profit/(loss) attributable to shareholders of the Company	<b>3,347</b>	(2,595)	N/A
	<b>HK\$</b>	<b>HK\$</b>	
Earnings/(loss) per share	<b>10.30</b>	(7.98)	N/A
Interim dividend per share	-	0.50	N/A
	<b>As at</b>	<b>As at</b>	
	<b>31 December 2012</b>	<b>30 June 2012</b>	
	<b>HK\$</b>	<b>HK\$</b>	<b>Increase</b>
Equity per share attributable to shareholders of the Company	<b>148.99</b>	134.32	11%

## RESULTS

The unaudited consolidated results of Guoco Group Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 31 December 2012 together with comparative figures for the corresponding period last year are as follows:

### CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2012 - Unaudited

	Note	2012 HK\$'000	2011 HK\$'000
Turnover	2 & 3	<u>6,316,908</u>	<u>11,958,750</u>
Revenue	2 & 3	6,017,443	5,650,944
Cost of sales		(3,103,173)	(2,839,926)
Other attributable costs		<u>(113,872)</u>	<u>(90,403)</u>
		2,800,398	2,720,615
Other revenue		335,888	396,204
Other net income/(losses)	4	2,769,029	(3,155,795)
Administrative and other operating expenses		<u>(2,510,318)</u>	<u>(2,337,922)</u>
Profit/(loss) from operations before finance costs		3,394,997	(2,376,898)
Finance costs	2(b) & 5(a)	<u>(532,450)</u>	<u>(346,920)</u>
Profit/(loss) from operations	2	2,862,547	(2,723,818)
Share of profits of associates		525,885	324,904
Share of profits less losses of jointly controlled entities		<u>25,160</u>	<u>8,794</u>
Profit/(loss) for the period before taxation	2 & 5	3,413,592	(2,390,120)
Tax expenses	6	<u>(63,381)</u>	<u>(173,231)</u>
Profit/(loss) for the period		<u>3,350,211</u>	<u>(2,563,351)</u>
Attributable to :			
Shareholders of the Company		3,347,157	(2,595,086)
Non-controlling interests		<u>3,054</u>	<u>31,735</u>
Profit/(loss) for the period		<u>3,350,211</u>	<u>(2,563,351)</u>
Earnings/(loss) per share		HK\$	HK\$
Basic	8	<u>10.30</u>	<u>(7.98)</u>
Diluted	8	<u>10.30</u>	<u>(7.98)</u>
		HK\$'000	HK\$'000
Interim dividend	7	<u>-</u>	<u>164,526</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012 - Unaudited

	2012 HK\$'000	2011 HK\$'000
<b>Profit/(loss) for the period</b>	<u>3,350,211</u>	<u>(2,563,351)</u>
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains/(losses) on defined benefit obligation	<u>1,194</u>	<u>(3,302)</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and jointly controlled entities	1,053,172	(482,505)
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	(142,257)	141,776
Changes in fair value of available-for-sale financial assets	1,179,508	(1,253,805)
Transfer to profit or loss on disposal of available-for-sale financial assets	-	(724,782)
Share of other comprehensive income of associates	<u>375,318</u>	<u>101</u>
	<u>2,465,741</u>	<u>(2,319,215)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>2,466,935</u>	<u>(2,322,517)</u>
<b>Total comprehensive income for the period</b>	<u>5,817,146</u>	<u>(4,885,868)</u>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	5,428,899	(4,749,359)
Non-controlling interests	<u>388,247</u>	<u>(136,509)</u>
	<u>5,817,146</u>	<u>(4,885,868)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	At 31 December 2012 (Unaudited) Note HK\$'000	At 30 June 2012 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>		
Fixed assets		
- Investment properties	12,381,044	11,780,345
- Other property, plant and equipment	14,772,909	14,335,456
Interest in associates	6,212,919	5,335,474
Interest in jointly controlled entities	921,162	872,673
Available-for-sale financial assets	12,731,760	11,553,905
Deferred tax assets	192,577	182,402
Intangible assets	7,671,794	7,446,019
Goodwill	539,333	529,089
	<u>55,423,498</u>	<u>52,035,363</u>
<b>CURRENT ASSETS</b>		
Development properties	32,839,855	32,323,125
Properties held for sale	1,415,507	1,596,480
Trade and other receivables	9 2,084,463	3,064,096
Trading financial assets	13,452,578	9,512,333
Cash and short term funds	11,601,084	8,800,090
	<u>61,393,487</u>	<u>55,296,124</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	10 6,019,481	5,920,110
Current portion of bank loans and other borrowings	14,113,348	14,968,759
Taxation	903,257	1,025,463
Provisions and other liabilities	209,188	85,563
	<u>21,245,274</u>	<u>21,999,895</u>
<b>NET CURRENT ASSETS</b>	<u>40,148,213</u>	<u>33,296,229</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>95,571,711</u>	<u>85,331,592</u>
<b>NON-CURRENT LIABILITIES</b>		
Non-current portion of bank loans and other borrowings	34,139,708	28,880,715
Amount due to non-controlling interests	786,439	723,365
Provisions and other liabilities	703,316	727,669
Deferred tax liabilities	239,162	232,148
	<u>35,868,625</u>	<u>30,563,897</u>
<b>NET ASSETS</b>	<u>59,703,086</u>	<u>54,767,695</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,275,266	1,276,039
Reserves	47,748,557	42,922,092
Equity attributable to shareholders of the Company	49,023,823	44,198,131
Non-controlling interests	10,679,263	10,569,564
<b>TOTAL EQUITY</b>	<u>59,703,086</u>	<u>54,767,695</u>

## Notes:

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011/12 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012/13 annual financial statements as described below.

The HKICPA has issued certain revised and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that became effective for the current accounting period of the Group. The adoption of the revised standards, amendments and interpretations had no material impact on the results and financial position of the Group. In addition, the Amendments to HKAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income have been effective from 1 July 2012. The Amendments require an entity to present the items of other comprehensive income that may be reclassified to profit or loss in the future if certain conditions are met, separately from those that would never be reclassified to profit or loss. This change in presentation has no effect on reported profit or loss, total income and expenses or net assets for any period presented.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011/12 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 30 June 2012 included in the interim financial report is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2012 can be obtained on request at the Group Company Secretariat, 50/F The Center, 99 Queen's Road Central, Hong Kong, or from the Company's website [www.guoco.com](http://www.guoco.com). The auditors expressed an unqualified opinion on the financial statements in their report dated 30 August 2012.

## 2. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units engage in different business activities, offer different products and services and are managed separately. The following summary describes the operations in each segment:

<b>Segment</b>	<b>Business activities</b>	<b>Operated by</b>
Principal investment:	This segment covers equity and direct investments as well as treasury operations, with trading and strategic investments in global capital markets.	Subsidiaries
Property development and investment:	This segment involves development of residential and commercial properties and holding properties for rental income in the key geographical markets of Singapore, China, Malaysia and Vietnam.	Subsidiaries
Hospitality and leisure business:	This business segment owns, leases or manages hotels and operates gaming businesses in the United Kingdom, Spain and Belgium.	Subsidiaries
Securities, commodities and brokerage:	This segment provides stock and commodities broking and corporate advisory services, principally in Hong Kong.	Subsidiaries
Oil and gas:	This segment receives royalty income from the entitlement of Bass Strait oil trust in Australia.	Subsidiary
Financial services:	This segment covers commercial and consumer banking, Islamic banking, investment banking, life and general insurance, Takaful insurance, fund management and unit trust, corporate advisory services and stockbroking.	Associate

Performance is evaluated on the basis of profit or loss from operations before taxation. Inter-segment pricing is determined on an arm's length basis. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from Year 2011/12.

## 2. SEGMENT REPORTING (cont'd)

Information regarding the Group's reportable segments for the purposes of resource allocation and assessment of segment performance for the period is set out below.

### (a) Reportable segment revenue and profit or loss (unaudited)

	Principal investment HK\$'000	Property development and investment HK\$'000	Hospitality and leisure business HK\$'000	Securities, commodities and brokerage HK\$'000	Oil and gas HK\$'000	Financial services HK\$'000	Total HK\$'000
<b>For the six months ended 31 December 2012</b>							
Turnover	<b>595,606</b>	<b>312,472</b>	<b>5,389,429</b>	<b>19,401</b>	-	-	<b>6,316,908</b>
Revenue from external customers	<b>296,141</b>	<b>312,472</b>	<b>5,389,429</b>	<b>19,401</b>	-	-	<b>6,017,443</b>
Inter-segment revenue	<b>11,650</b>	<b>3,783</b>	-	<b>8</b>	-	-	<b>15,441</b>
Reportable segment revenue	<b>307,791</b>	<b>316,255</b>	<b>5,389,429</b>	<b>19,409</b>	-	-	<b>6,032,884</b>
Operating profit/(loss)	<b>2,928,586</b>	<b>(258,191)</b>	<b>559,695</b>	<b>(4,441)</b>	<b>180,998</b>	-	<b>3,406,647</b>
Finance costs	<b>(138,606)</b>	<b>(213,211)</b>	<b>(189,213)</b>	<b>(1,961)</b>	<b>(1,109)</b>	-	<b>(544,100)</b>
Share of profits of associates	-	<b>29,703</b>	-	-	-	<b>496,182</b>	<b>525,885</b>
Share of profits less losses of jointly controlled entities	-	<b>25,160</b>	-	-	-	-	<b>25,160</b>
Profit/(loss) before taxation	<b>2,789,980</b>	<b>(416,539)</b>	<b>370,482</b>	<b>(6,402)</b>	<b>179,889</b>	<b>496,182</b>	<b>3,413,592</b>
<b>For the six months ended 31 December 2011</b>							
Turnover	6,564,844	278,867	5,085,200	29,839	-	-	11,958,750
Revenue from external customers	257,038	278,867	5,085,200	29,839	-	-	5,650,944
Inter-segment revenue	210	3,806	-	6,860	-	-	10,876
Reportable segment revenue	257,248	282,673	5,085,200	36,699	-	-	5,661,820
Operating profit/(loss)	(2,973,172)	(168,407)	469,469	5,197	290,225	-	(2,376,688)
Finance costs	(59,880)	(115,930)	(171,032)	(288)	-	-	(347,130)
Share of profits of associates	-	14,022	-	-	-	310,882	324,904
Share of profits less losses of jointly controlled entities	-	8,794	-	-	-	-	8,794
Profit/(loss) before taxation	(3,033,052)	(261,521)	298,437	4,909	290,225	310,882	(2,390,120)

## 2. SEGMENT REPORTING (cont'd)

### (b) Reconciliations of reportable segment revenue and finance costs (unaudited)

#### Revenue

	Six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
Reportable segment revenue	6,032,884	5,661,820
Elimination of inter-segment revenue	<u>(15,441)</u>	<u>(10,876)</u>
Consolidated revenue (note 3)	<u><u>6,017,443</u></u>	<u><u>5,650,944</u></u>

#### Finance costs

	Six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
Reportable finance costs	(544,100)	(347,130)
Elimination of inter-segment finance costs	<u>11,650</u>	<u>210</u>
Consolidated finance costs (note 5 (a))	<u><u>(532,450)</u></u>	<u><u>(346,920)</u></u>



## 2. SEGMENT REPORTING (cont'd)

### (c) Geographical information (unaudited)

The following table illustrates the geographical location of the Group's revenue from external customers and the Group's profit/(loss) from operations. The geographical information is classified by reference to the location of the income generating entities.

	Revenue from external customers		Profit/(loss) from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China				
Hong Kong	<b>319,727</b>	291,849	<b>2,794,080</b>	(3,022,953)
Mainland China	<b>45,972</b>	162,308	<b>(385,813)</b>	8,934
United Kingdom and				
Continental Europe	<b>5,244,762</b>	4,953,997	<b>393,534</b>	354,719
Singapore	<b>86,139</b>	113,343	<b>(Note) (83,379)</b>	(314,937)
Australasia and others	<b>320,843</b>	129,447	<b>144,125</b>	250,419
	<b>6,017,443</b>	5,650,944	<b>2,862,547</b>	(2,723,818)

Note:

In accordance with applicable Hong Kong Financial Reporting Standards, at Group level we have recognised revenue arising from the sale of properties upon completion of development projects instead of the percentage of completion method adopted by GuocoLand Limited ("GuocoLand") for residential projects under progressive payment schemes in Singapore.

GuocoLand has adopted the Singapore Interpretation of Financial Reporting Standard No. 115 Agreements for the Construction of Real Estate and the accompanying practice note issued specifically in the context of the sale of development properties in Singapore. Consequently, GuocoLand continues to adopt the percentage of completion method of revenue recognition for residential projects under progressive payment schemes in Singapore. For residential projects under deferred payment schemes in Singapore and overseas, the revenue and expenses are accounted for under the completion of construction method.

Accordingly, operating profits of GuocoLand for the period amounting to HK\$636 million (2011: HK\$334 million) in Singapore have been deferred for recognition in the Group accounts. The Group has not recognised any operating profits of GuocoLand (2011: nil) which have been deferred in previous years in Singapore. Up to 31 December 2012, accumulated operating profits of GuocoLand totalling HK\$2.3 billion (2011: HK\$995.9 million) in Singapore have been deferred for recognition, and will be recognised by the Group upon completion of the relevant development projects in subsequent years.

### 3. TURNOVER AND REVENUE

An analysis of the amount of each significant category of turnover and revenue from principal activities during the period is as follows:

	Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue from sale of properties	217,187	176,253
Revenue from hotel and gaming operations	5,357,076	5,043,319
Interest income	95,634	78,322
Dividend income from listed securities	250,409	247,716
Rental income from properties	66,567	61,636
Securities commission and brokerage	11,479	22,078
Others	19,091	21,620
Revenue	<u>6,017,443</u>	<u>5,650,944</u>
Proceeds from sale of investments in securities	<u>299,465</u>	<u>6,307,806</u>
Turnover	<u><u>6,316,908</u></u>	<u><u>11,958,750</u></u>

### 4. OTHER NET INCOME/(LOSSES)

	Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net realised and unrealised gains/(losses) on trading financial assets	2,740,101	(3,567,427)
Net realised and unrealised gains/(losses) on derivative financial instruments	2,884	(43,520)
Net realised (losses)/gains on disposal of available-for-sale financial assets	(70)	489,007
Net gains on foreign exchange contracts	18,386	10,752
Other exchange gains/(losses)	2,488	(49,594)
Net losses on disposal of fixed assets	(1,248)	(723)
Other income	6,488	5,710
	<u><u>2,769,029</u></u>	<u><u>(3,155,795)</u></u>

## 5. PROFIT/(LOSS) FOR THE PERIOD BEFORE TAXATION

Profit/(loss) for the period before taxation is arrived at after charging/(crediting):

(a) Finance costs	Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	763,969	579,984
Other borrowing costs	157,875	143,252
Total borrowing costs	921,844	723,236
Less: borrowing costs capitalised into:		
- development properties	(267,190)	(299,998)
- investment properties	(106,912)	(76,318)
- property, plant and equipment	(15,292)	-
Total borrowing costs capitalised (Note)	(389,394)	(376,316)
	532,450	346,920

Note: These borrowing costs have been capitalised at rates of 1.11% to 7.36% per annum (2011: 0.9% to 6.4%).

(b) Staff cost	Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Salaries, wages and other benefits	1,709,570	1,698,858
Retirement scheme contributions	32,640	25,869
Equity settled share-based payment (forfeited)/expensed	(17,455)	21,977
	1,724,755	1,746,704

(c) Other items	Six months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	339,748	313,966
Amortisation		
- Bass Strait oil and gas royalty	17,347	17,269
- casino licences and brand name	39,353	36,652
Gross rental income from investment properties	(66,567)	(61,636)
Less: direct outgoings	20,905	11,746
Net rental income	(45,662)	(49,890)

## 6. TAX EXPENSES

Tax expenses in the consolidated income statement represent:

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	16	(7,481)
Overseas taxation	(69,807)	(172,850)
Deferred taxation	6,410	7,100
	<u>(63,381)</u>	<u>(173,231)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2011: 16.5%) to the profits for the six months ended 31 December 2012. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable in the relevant countries.

## 7. DIVIDENDS

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Year 2011/2012:		
Final dividend paid of HK\$1.70 per ordinary share (Year 2010/2011: HK\$2.20 per ordinary share)	<u>552,626</u>	<u>713,697</u>
Year 2012/2013:		
No interim dividend declared per ordinary share (Year 2011/2012: HK\$0.50 per ordinary share)	<u>-</u>	<u>164,526</u>

No interim dividend is declared for the year ending 30 June 2013. For the year ended 30 June 2012, an interim dividend declared of HK\$164,526,000 was calculated based on 329,051,373 ordinary shares in issue as at 31 December 2011.

## 8. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$3,347,157,000 (2011: loss of HK\$2,595,086,000) and the weighted average number of 325,024,511 ordinary shares (2011: 325,024,511 ordinary shares) in issue during the period.

### (b) Diluted earnings/(loss) per share

For the period ended 31 December 2012, the diluted earnings per share equals the basic earnings per share as there is no dilutive potential ordinary share outstanding during the period.

For the period ended 31 December 2011, the potential ordinary shares outstanding during the period had an anti-dilutive effect on the basic earnings per share.

## 9. TRADE AND OTHER RECEIVABLES

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
Trade debtors	796,478	1,692,388
Deposits and prepayments	1,063,520	1,324,684
Derivative financial instruments, at fair value	156,759	14,682
Interest receivables	67,706	32,342
	<u>2,084,463</u>	<u>3,064,096</u>

Included in trade and other receivables is HK\$74.4 million (30 June 2012: HK\$64.4 million) which is expected to be recovered after one year.

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
Within 1 month	748,374	1,666,647
1 to 3 months	34,477	13,441
More than 3 months	13,627	12,300
	<u>796,478</u>	<u>1,692,388</u>

## 10. TRADE AND OTHER PAYABLES

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
Trade creditors	589,025	892,690
Other payables and accrued operating expenses	4,981,664	4,821,021
Derivative financial instruments, at fair value	314,658	154,272
Amounts due to fellow subsidiaries	131,118	49,459
Amounts due to associates	574	302
Amounts due to jointly controlled entities	2,442	2,366
	<u>6,019,481</u>	<u>5,920,110</u>

Included in trade and other payables is HK\$390.7 million (30 June 2012: HK\$421.1 million) which is expected to be payable after one year.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
Within 1 month	498,817	783,868
1 to 3 months	26,160	34,661
More than 3 months	64,048	74,161
	<u>589,025</u>	<u>892,690</u>

The amounts due to fellow subsidiaries, associates and jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

## 11. HONG KONG DOLLAR AMOUNTS

The consolidated financial statements of the Group are expressed in the United States dollars ("USD"), which are the functional currency of the Company. The Hong Kong dollar ("HKD") figures presented in the sections entitled "FINANCIAL HIGHLIGHTS" and "RESULTS" above are the HKD equivalents of the corresponding USD figures in the consolidated financial statements, which are translated at the rates ruling at the respective financial period ends for presentation purposes only (31 December 2012: US\$1 = HK\$7.75115, 30 June 2012: US\$1 = HK\$7.75585, 31 December 2011: US\$1 = HK\$7.76855).

## 12. REVIEW BY BOARD AUDIT COMMITTEE

The unaudited interim results for the six months ended 31 December 2012 have been reviewed by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

## **INTERIM DIVIDEND**

No interim dividend was declared for the six months ended 31 December 2012.

## **REVIEW OF OPERATIONS**

### **Financial Results**

The unaudited consolidated profit attributable to shareholders for the six months ended 31 December 2012, after taxation and non-controlling interests, amounted to HK\$3,347 million, as compared to a loss of HK\$2,595 million for the previous corresponding period. The profit resulted mainly from the Group's principal investment business following the recovery of the financial markets during the period. Basic earnings per share amounted to HK\$10.30.

For the six months ended 31 December 2012, the principal investment division posted a net gain of HK\$2,929 million of which HK\$2,705 million represented unrealised gain on trading financial assets. The operating loss of HK\$258 million recorded by us from property development and investment resulted from the reversal of a HK\$636 million profit earned by our principal subsidiary, GuocoLand Limited. The reversal was due to the adoption of the completion of construction method for revenue recognition versus stage completion method adopted by GuocoLand.

Profits (before taxation) were also generated from the following sources:

- hospitality and leisure business of HK\$560 million;
- contributions from associates and jointly controlled entities of HK\$551 million;
- oil and gas royalty of HK\$181 million;

and were set off by finance costs in the sum of HK\$532 million.

Revenue increased by 6% to HK\$6.0 billion. The increase was mainly attributable to the increase in revenue derived from the hospitality and leisure sector in the sum of HK\$304 million.

### **Principal Investment**

Global stock prices advanced in the last six months of 2012 on the back of on-going policy support by major central banks, improved economic data from the U.S., a revival of growth expectations in China and low market valuation. In Japan, a change in government and the likelihood that more reflationary policies would be implemented also boosted its market performance. All these factors contributed to rising risk appetite by investors and generally higher asset prices. We continued to focus on our long-term strategic investment positions.

In this period, due to high volatility and pricing distortions created by policy announcements of various governments, we maintained a prudent approach in managing our currency exposure. More focus was placed on liability management with the establishment of the Company's first medium term note programme and 5-year bond issuance of US\$500 million to diversify our funding source.

## **Property Development and Investment**

### ***GuocoLand Limited (“GuocoLand”)***

GuocoLand’s profit attributable to shareholders for the half year ended 31 December 2012 was S\$21.6 million, compared to S\$36,000 in the previous corresponding period.

Revenue for the half year ended 31 December 2012 increased by 64% to S\$416.5 million as compared to the previous corresponding period. This was mainly due to higher revenue recognised from various Singapore residential projects.

Other income increased by S\$6.2 million mainly due to fair value gain on interest rate and foreign exchange hedges for the half year ended 31 December 2012 whilst a fair value loss of S\$3.8 million was recorded in other expenses in the previous corresponding period.

Finance costs increased by S\$15.2 million for the half year ended 31 December 2012 due to higher borrowings and lower capitalisation of interest expenses in the current period.

With uncertainties still looming in the global economy, the latest round of property cooling measures by the Singapore government is likely to add more volatility to the business environment. While managing the market risks, GuocoLand will continue to focus on the execution of its current projects and cautiously exploring investment opportunities.

## **Hospitality and Leisure Business**

### ***GuocoLeisure Limited (“GuocoLeisure”)***

GuocoLeisure recorded a profit after tax for the half year ended 31 December 2012 of US\$35.3 million, a decrease of 3.6% as compared to US\$36.6 million in the previous corresponding period. Stripping away the one-off gain (net of tax) of US\$9.7 million realised in the previous corresponding period from the resolution of a royalty entitlement dispute, profit after tax increased by 31.2% or US\$8.4 million.

Revenue increased by 7.5% to US\$203.9 million compared to the previous corresponding period. This was mainly due to higher revenues generated from the hotel segment during the 2012 London Olympics.

Income from the Bass Strait oil and gas royalty in Australia decreased by 18.2% to US\$25.6 million as compared to US\$31.3 million in the previous corresponding period which included a one-off royalty distribution of US\$5.4 million arising from the resolution of a royalty entitlement dispute.

The adverse situation in the Eurozone as well as in the UK continues to have an impact on GuocoLeisure’s hospitality business which is its largest segment. The Bass Strait oil and gas royalty in Australia will continue to see a steady contribution.



### ***The Rank Group Plc (“Rank”)***

During the half year ended 31 December 2012, Rank’s profit after taxation (before exceptional items) reduced by 1.3% to GBP22.8 million. Revenue grew by 5.4% to GBP312.0 million, while operating profit before exceptional items of GBP33.4 million was down 3.5%. For the UK businesses, Grosvenor Casinos delivered a strong increase in operating profit but this was offset by profit falls in both Mecca Bingo and the Rank Interactive digital businesses. Enracha (the new brand for the Spanish business previously called “Top Rank España”) and the two Belgium casinos continued to experience difficult trading conditions following the implementation of smoking bans and the continuing difficult economic conditions in the Eurozone.

Exceptional items totalling GBP4.7 million were recognised during the current period. These included costs incurred of GBP3.9 million in connection with the conditional agreement to acquire Gala Casinos Limited and a further GBP0.8 million recognised in relation to historic indirect taxation issues.

On 12 May 2012, Rank announced that it had conditionally agreed to acquire Gala Casinos Limited from Gala Coral Group Limited (“Gala Coral Group”) for a total cash consideration of GBP205 million (the “Proposed Acquisition”). On 20 August 2012 the Office of Fair Trading announced that it had referred the Proposed Acquisition to the Competition Commission. Accordingly on 19 September 2012 the agreement relating to the Proposed Acquisition ceased to be formally binding on the parties. The Competition Commission has published on 19 February 2013 its final report following completion of its review of the Proposed Acquisition. Rank will be able to proceed with the purchase of 19 of the 23 casinos originally comprised within the Proposed Acquisition, as well as three non-operating licences (subject to agreeing appropriate remedy undertakings with the Competition Commission in relation to Rank’s non-operating licence in Edinburgh and the four casinos to be retained by Gala Coral Group). Rank and Gala Coral Group are continuing their discussions in relation to appropriate amendments to the terms of the Proposed Acquisition in light of the aforesaid report from Competition Commission.

### **Financial Services**

#### ***Hong Leong Financial Group Berhad (“HLFG”)***

HLFG will publish its results for the interim period ended 31 December 2012 subsequent to the Company’s interim results announcement. The consolidated results of HLFG based on their unaudited management accounts have been incorporated in the Group’s interim results.

## **GROUP FINANCIAL COMMENTARY**

### ***Capital Management***

- The Group’s consolidated total equity (including non-controlling interests) as at 31 December 2012 amounted to HK\$59.7 billion, an increase of 9% compared to the total equity as at 30 June 2012.

- The Group's consolidated total equity attributable to shareholders of the Company as at 31 December 2012 amounted to HK\$49.0 billion, an increase of HK\$4.8 billion compared to the figure as at 30 June 2012.

- The equity-debt ratio as at 31 December 2012 is as follows:

	HK\$'M
Total borrowings	48,253
Less: Cash and short term funds	(11,601)
Marketable securities	<u>(13,453)</u>
Net debt	<u>23,199</u>
Equity attributable to shareholders of the Company	<u>49,024</u>
Equity-debt ratio	<u>68 : 32</u>

- The Group's total cash balance and marketable securities were mainly in USD (48%), CHF (10%), AUD (9%), SGD (8%), JPY (7%) and HKD (7%).

### **Total Borrowings**

The increase in total borrowings from HK\$43.8 billion as at 30 June 2012 to HK\$48.3 billion as at 31 December 2012 was primarily due to the issuance of US\$500 million (approximately HK\$3.9 billion) fixed rate bonds under the Group's medium term note programme in August 2012. The Group's total borrowings are mainly denominated in SGD (56%), USD (20%), GBP (7%) and RMB (7%).

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

	<b>Bank loans</b>	<b>Mortgage debenture stock</b>	<b>Other borrowings</b>	<b>Total</b>
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Within 1 year or on demand	13,454	-	659	14,113
After 1 year but within 2 years	2,179	-	1,972	4,151
After 2 years but within 5 years	15,374	1,855	11,031	28,260
After 5 years	841	709	179	1,729
	<u>18,394</u>	<u>2,564</u>	<u>13,182</u>	<u>34,140</u>
	<u>31,848</u>	<u>2,564</u>	<u>13,841</u>	<u>48,253</u>

Bank loans, mortgage debenture stock and other borrowings are secured by certain development properties, fixed assets and trading financial assets with an aggregate book value of HK\$40.5 billion.

Committed borrowing facilities available to Group companies not yet drawn as at 31 December 2012 amounted to HK\$12.1 billion.

### ***Interest Rate Exposure***

The Group's interest rate risk arises from treasury activities and borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. The Group uses interest rate swaps to manage its interest rate exposure as appropriate.

As at 31 December 2012, approximately 66% of the Group's borrowings were at floating rates and the remaining 34% were at fixed rates.

### ***Foreign Currency Exposure***

The Group from time to time enters into foreign exchange contracts, which are primarily over-the-counter derivatives, principally for hedging foreign currency exposures and investments.

As at 31 December 2012, there were outstanding foreign exchange contracts with a total notional amount of HK\$14.1 billion for hedging of foreign currency equity and bond investments.

### ***Equity Price Exposure***

The Group maintains an investment portfolio which comprises listed and unlisted equities. Equity investments are subject to asset allocation limits.

### ***Contingent Liabilities***

#### **(a) GuocoLand**

In Beijing, judgements of the legal actions in respect of GuocoLand's Dongzhimen project ("DZM") referred to in the Group's annual report 2012, are pending. As previously stated, GuocoLand is constantly exploring options and opportunities to manage the litigation and its interest in DZM. GuocoLand has from time to time received proposals from third parties concerning GuocoLand's interests in DZM and has engaged in discussions with some of them. So far, there is nothing concrete and the outcome is uncertain.

#### **(b) Rank**

##### ***(i) Rank liabilities relating to Fiscal Neutrality Case***

In May 2010, Rank received GBP30.8 million (VAT of GBP26.4 million plus interest of GBP4.4 million) relating to a claim for the repayment of overpaid VAT on amusement machines. This claim was heard at the European Court of Justice in 2011 but the decision was not conclusive and part of the appeal was referred back to the UK courts. The case was heard by the Upper Tribunal in June 2012 and a number of specific points have been referred back to the First Tier Tribunal for further consideration. Rank has agreed with HM Revenue & Customs to delay this hearing until another point of dispute in relation to the claim is heard by the Court of Appeal in May 2013.

## ***(ii) Other VAT and duty***

In previous periods Rank has disclosed contingent liabilities in respect of a limited number of VAT and duty issues. During the period an amount of GBP9.6 million (plus interest) has been provided to cover its best estimate of the expected outflow. However, it remains possible that the ultimate resolution of these issues will vary from the amount provided. Rank's total exposure, including the amount provided, is estimated at approximately GBP27 million (plus interest).

## **OUTLOOK**

Macroeconomic environment has somewhat improved over the past twelve months. Economic data in the U.S. continues to indicate a gradual pick-up in underlying activity while the risk of a hard landing in China has significantly diminished following better growth in the latter part of 2012. Along with it, there was a smooth leadership change in Beijing. The European economy will stay sluggish but the chance of a major shock is now less likely after a clear commitment by the ECB to provide liquidity and other support to the region. This improved global backdrop will have a positive impact on the Group operations.

Barring any unforeseen circumstances, we are cautiously optimistic that our core businesses, each working on improving performance in its respective field, will collectively contribute towards a better year for the Group.

## **UPDATE ON PRIVATISATION OFFER**

On 12 December 2012, the Company and GuoLine Overseas Limited (the "Offeror") issued a joint announcement on a voluntary unconditional cash offer by Standard Chartered Bank (Hong Kong) Limited on behalf of the Offeror to acquire all of the issued shares in the share capital of the Company (other than those already held by the Offeror) (the "Privatisation Offer"). In light of the Privatisation Offer, the Company does not intend to declare or pay any dividend or other distribution on the Company's shares during the offer period.

An independent board committee comprising Messrs. Volker Stoeckel and Roderic N. A. Sage was established on 4 December 2012 to advise the minority shareholders on whether the Privatisation Offer is fair and reasonable and whether it should be accepted. Somerley Limited has been appointed by the Company on 2 January 2013 as the independent financial adviser to advise the Company's independent board committee in connection with the Privatisation Offer.

Further details will be provided in the offer document and the response document, which will be despatched to the Company's shareholders on or before 30 April 2013.

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

During the period the Company did not redeem any of its listed securities. Neither did the Company nor any of its other subsidiaries purchase or sell any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

### ***Code on Corporate Governance Practices***

The board of directors (the "Board") of the Company has adopted a Code of Corporate Governance Practices (the "CGP Code"), which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the period, the Company has complied with the HKEx Code, save that non-executive directors are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company and the CGP Code. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the HKEx Code.

### ***Minimum Numbers of Independent Non-executive Directors and Board Audit Committee Members***

Following the retirement of Mr. Sat Pal Khattar after the conclusion of the annual general meeting on 14 November 2012, the respective number of independent non-executive directors ("INEDs") and members of the Board Audit Committee ("BAC") of the Company fell to two, which is below the minimum number of three required under Rules 3.10(1) and 3.21 of the Listing Rules. Pursuant to Rules 3.11 and 3.23 of the Listing Rules, the Board should appoint an INED and a BAC member within 3 months after falling below the requirements (i.e. on or before 13 February 2013). In view of the Privatisation Offer, the Company has applied for, and The Stock Exchange of Hong Kong Limited has granted, a waiver to the Company from strict compliance with Rules 3.10(1) and 3.21 of the Listing Rules on the respective minimum number of INEDs and BAC members and obtained an extension of time to 3 months after the close / lapse of the Privatisation Offer in the event that the Offeror is unable to / will not exercise the rights of compulsory acquisition under the Companies Act 1981 of Bermuda and the Company will maintain its listing status (i.e. no later than 30 November 2013). Further details have been set out in a separate announcement of the Company dated 20 February 2013.

*As at the date of this announcement, the Board comprises Mr. Quek Leng Chan as Executive Chairman; Mr. Kwek Leng Hai as President, CEO; Mr. Tan Lim Heng as executive director; Mr. Kwek Leng San as non-executive director and Mr. Volker Stoeckel and Mr. Roderic N. A. Sage as independent non-executive directors.*

By Order of the Board  
**Stella Lo Sze Man**  
Company Secretary

Hong Kong, 20 February 2013