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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 2013**

	Six months ended 31 December		
	2013	2012	Increase
	HK\$'M	HK\$'M	
Turnover	<b>16,678</b>	6,317	164%
Revenue	<b>7,677</b>	6,017	28%
Profit attributable to shareholders of the Company	<b>3,488</b>	3,347	4%
	<b>HK\$</b>	<b>HK\$</b>	
Earnings per share	<b>10.73</b>	10.30	4%
Interim dividend per share	<b>1.00</b>	-	N/A
	<b>As at</b>	<b>As at</b>	
	<b>31 December 2013</b>	<b>30 June 2013</b>	
	<b>HK\$</b>	<b>HK\$</b>	<b>Increase</b>
Equity per share attributable to shareholders of the Company	<b>165.61</b>	153.65	8%

## RESULTS

The unaudited consolidated results of Guoco Group Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 31 December 2013 together with comparative figures for the corresponding period last year are as follows:

### CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2013 - Unaudited

	Note	2013 HK\$'000	2012 HK\$'000
Turnover	2 & 3	<u>16,677,565</u>	<u>6,316,908</u>
Revenue	2 & 3	7,677,272	6,017,443
Cost of sales		(4,087,357)	(3,103,173)
Other attributable costs		<u>(113,132)</u>	<u>(113,872)</u>
		3,476,783	2,800,398
Other revenue		259,553	335,888
Other net income	4	3,087,706	2,769,029
Administrative and other operating expenses		<u>(2,858,192)</u>	<u>(2,510,318)</u>
Profit from operations before finance costs		3,965,850	3,394,997
Finance costs	2(b) & 5(a)	<u>(737,523)</u>	<u>(532,450)</u>
Profit from operations	2	3,228,327	2,862,547
Share of profits of associates		518,082	525,885
Share of profits less losses of joint ventures		<u>12,244</u>	<u>25,160</u>
Profit for the period before taxation	2 & 5	3,758,653	3,413,592
Tax expenses	6	<u>(29,815)</u>	<u>(63,381)</u>
Profit for the period		<u>3,728,838</u>	<u>3,350,211</u>
Attributable to:			
Shareholders of the Company		3,487,623	3,347,157
Non-controlling interests		<u>241,215</u>	<u>3,054</u>
Profit for the period		<u>3,728,838</u>	<u>3,350,211</u>
Earnings per share		HK\$	HK\$
Basic	8	<u>10.73</u>	<u>10.30</u>
Diluted	8	<u>10.73</u>	<u>10.30</u>
		HK\$'000	HK\$'000
Interim dividend	7	<u>329,051</u>	<u>-</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013 - Unaudited

	2013 HK\$'000	2012 HK\$'000
<b>Profit for the period</b>	<b>3,728,838</b>	<b>3,350,211</b>
<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 on defined benefit obligation	1,217	1,194
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	1,075,625	1,053,172
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	48,184	(142,257)
Exchange translation reserve reclassified to profit or loss upon disposal of subsidiaries	(7,901)	-
Changes in fair value of available-for-sale financial assets	1,960,027	1,179,508
Reclassified to profit or loss on disposal of available-for-sale financial assets	(129,571)	-
Release of valuation reserve upon disposal of properties	(132)	-
Share of other comprehensive income of associates	21,564	375,318
	<u>2,967,796</u>	<u>2,465,741</u>
<b>Other comprehensive income for the period, net of tax</b>	<b>2,969,013</b>	<b>2,466,935</b>
<b>Total comprehensive income for the period</b>	<b>6,697,851</b>	<b>5,817,146</b>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	6,117,379	5,428,899
Non-controlling interests	580,472	388,247
	<u>6,697,851</u>	<u>5,817,146</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	At 31 December 2013 (Unaudited) Note      HK\$'000	At 30 June 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>		
Fixed assets		
- Investment properties	13,257,487	12,978,189
- Other property, plant and equipment	15,136,523	14,160,170
Interest in associates	6,728,194	6,351,462
Interest in joint ventures	799,649	860,283
Available-for-sale financial assets	14,019,599	12,239,563
Deferred tax assets	95,786	30,228
Intangible assets	9,730,333	9,077,698
Goodwill	1,312,862	1,226,940
	<u>61,080,433</u>	<u>56,924,533</u>
<b>CURRENT ASSETS</b>		
Development properties	28,392,723	30,847,421
Properties held for sale	5,276,021	3,776,677
Trade and other receivables	9      3,156,555	4,599,115
Trading financial assets	12,351,281	11,820,487
Cash and short term funds	19,900,626	16,079,428
	<u>69,077,206</u>	<u>67,123,128</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	10      7,474,727	8,107,664
Current portion of bank loans and other borrowings	16,358,794	13,891,258
Taxation	879,928	1,283,867
Provisions and other liabilities	421,815	234,131
	<u>25,135,264</u>	<u>23,516,920</u>
<b>NET CURRENT ASSETS</b>	<u>43,941,942</u>	<u>43,606,208</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>105,022,375</u>	<u>100,530,741</u>
<b>NON-CURRENT LIABILITIES</b>		
Non-current portion of bank loans and other borrowings	34,578,393	36,175,962
Amount due to non-controlling interests	853,610	806,955
Provisions and other liabilities	657,129	643,884
Deferred tax liabilities	472,892	418,821
	<u>36,562,024</u>	<u>38,045,622</u>
<b>NET ASSETS</b>	<u>68,460,351</u>	<u>62,485,119</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,275,751	1,276,195
Reserves	53,219,474	49,282,030
Equity attributable to shareholders of the Company	54,495,225	50,558,225
Non-controlling interests	13,965,126	11,926,894
<b>TOTAL EQUITY</b>	<u>68,460,351</u>	<u>62,485,119</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 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 2012/2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013/2014 annual financial statements as described below.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of the new standards and amendments had no material impact on the results and financial position of the Group. In addition, HKFRS 13, Fair Value Measurement replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance and contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. Accordingly, the Group has provided these disclosures in the interim financial report.

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 2012/2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for the 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 2013 included in the interim financial report is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2013 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 2013.

## 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, Vietnam and Hong Kong.	Subsidiaries
Hospitality and leisure business:	This business segment owns, leases or manages hotels and operates gaming business 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 the financial year 2012/2013.

## 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 2013</b>							
Turnover	<b>9,397,853</b>	<b>1,312,219</b>	<b>5,925,753</b>	<b>41,740</b>	-	-	<b>16,677,565</b>
Revenue from external customers	<b>397,560</b>	<b>1,312,219</b>	<b>5,925,753</b>	<b>41,740</b>	-	-	<b>7,677,272</b>
Inter-segment revenue	<b>12,135</b>	<b>4,528</b>	-	<b>1,396</b>	-	-	<b>18,059</b>
Reportable segment revenue	<b>409,695</b>	<b>1,316,747</b>	<b>5,925,753</b>	<b>43,136</b>	-	-	<b>7,695,331</b>
Operating profit	<b>2,683,997</b>	<b>793,904</b>	<b>318,794</b>	<b>13,089</b>	<b>158,703</b>	-	<b>3,968,487</b>
Finance costs	<b>(146,382)</b>	<b>(290,089)</b>	<b>(297,191)</b>	<b>(4,939)</b>	<b>(1,559)</b>	-	<b>(740,160)</b>
Share of profits of associates	-	<b>7,521</b>	-	-	-	<b>510,561</b>	<b>518,082</b>
Share of profits less losses of joint ventures	-	<b>12,244</b>	-	-	-	-	<b>12,244</b>
Profit before taxation	<b>2,537,615</b>	<b>523,580</b>	<b>21,603</b>	<b>8,150</b>	<b>157,144</b>	<b>510,561</b>	<b>3,758,653</b>
<b>For the six months ended 31 December 2012</b>							
Turnover	595,606	312,472	5,389,429	19,401	-	-	6,316,908
Revenue from external customers	296,141	312,472	5,389,429	19,401	-	-	6,017,443
Inter-segment revenue	11,650	3,783	-	8	-	-	15,441
Reportable segment revenue	307,791	316,255	5,389,429	19,409	-	-	6,032,884
Operating profit/(loss)	2,928,586	(258,191)	559,695	(4,441)	180,998	-	3,406,647
Finance costs	(138,606)	(213,211)	(189,213)	(1,961)	(1,109)	-	(544,100)
Share of profits of associates	-	29,703	-	-	-	496,182	525,885
Share of profits less losses of joint ventures	-	25,160	-	-	-	-	25,160
Profit/(loss) before taxation	2,789,980	(416,539)	370,482	(6,402)	179,889	496,182	3,413,592

## 2. SEGMENT REPORTING (cont'd)

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

#### Revenue

	Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Reportable segment revenue	7,695,331	6,032,884
Elimination of inter-segment revenue	<u>(18,059)</u>	<u>(15,441)</u>
Consolidated revenue (note 3)	<u><u>7,677,272</u></u>	<u><u>6,017,443</u></u>

#### Finance costs

	Six months ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Reportable finance costs	(740,160)	(544,100)
Elimination of inter-segment finance costs	<u>2,637</u>	<u>11,650</u>
Consolidated finance costs (note 5 (a))	<u><u>(737,523)</u></u>	<u><u>(532,450)</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	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China				
Hong Kong	441,991	319,727	2,559,062	2,794,080
Mainland China	734,104	45,972	579,836	(385,813)
United Kingdom and				
Continental Europe	5,776,626	5,244,762	46,602	393,534
Singapore	266,873	86,139	(Note) (235,088)	(83,379)
Australasia and others	457,678	320,843	277,915	144,125
	<u>7,677,272</u>	<u>6,017,443</u>	<u>3,228,327</u>	<u>2,862,547</u>

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\$322.6 million (2012: HK\$636 million) in Singapore have been deferred for recognition in the Group accounts. The Group has not recognised any operating profits of GuocoLand in Singapore for the period (2012: Nil) which have been deferred in previous years. Up to 31 December 2013, accumulated operating profits of GuocoLand totalling HK\$817.3 million (2012: HK\$2.3 billion) 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue from sale of properties	1,201,242	217,187
Revenue from hotel and gaming operations	5,898,210	5,357,076
Interest income	150,352	95,634
Dividend income from listed securities	328,037	250,409
Rental income from properties	66,561	66,567
Securities commission and brokerage	22,293	11,479
Others	10,577	19,091
Revenue	<u>7,677,272</u>	<u>6,017,443</u>
Proceeds from sale of investments in securities	<u>9,000,293</u>	<u>299,465</u>
Turnover	<u><u>16,677,565</u></u>	<u><u>6,316,908</u></u>

### 4. OTHER NET INCOME

	Six months ended 31 December	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net realised and unrealised gains on trading financial assets	2,253,435	2,740,101
Net realised and unrealised gains on derivative financial instruments	38,515	2,884
Net realised gains/(losses) on disposal of available-for-sale financial assets	161,975	(70)
Net gains on foreign exchange contracts	1,652	18,386
Other exchange gains	16,640	2,488
Net gains/(losses) on disposal of fixed assets	450	(1,248)
Gain on disposal of subsidiaries	608,681	-
Other income	6,358	6,488
	<u><u>3,087,706</u></u>	<u><u>2,769,029</u></u>

## 5. PROFIT FOR THE PERIOD BEFORE TAXATION

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

<b>(a) Finance costs</b>	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank advances and other borrowings wholly repayable within five years	<b>880,362</b>	763,969
Other borrowing costs	<b>161,510</b>	157,875
	<u>1,041,872</u>	<u>921,844</u>
Total borrowing costs	<b>1,041,872</b>	<b>921,844</b>
Less: borrowing costs capitalised into:		
- development properties	<b>(169,986)</b>	(267,190)
- investment properties	<b>(120,196)</b>	(106,912)
- property, plant and equipment	<b>(14,167)</b>	(15,292)
Total borrowing costs capitalised (Note)	<u><b>(304,349)</b></u>	<u>(389,394)</u>
	<u><b>737,523</b></u>	<u>532,450</u>

Note: These borrowing costs have been capitalised at rates of 1.11% to 7.57% per annum (2012: 1.11% to 7.36%).

<b>(b) Staff cost</b>	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries, wages and other benefits	<b>1,896,444</b>	1,709,570
Retirement scheme contributions	<b>58,326</b>	32,640
Equity settled share-based payment forfeited	<b>(2,419)</b>	(17,455)
	<u><b>1,952,351</b></u>	<u>1,724,755</u>

<b>(c) Other items</b>	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>353,703</b>	339,748
Amortisation		
- Bass Strait oil and gas royalty	<b>15,206</b>	17,347
- casino licences and brand name	<b>38,197</b>	39,353
	<u>38,197</u>	<u>39,353</u>
Gross rental income from investment properties	<b>(66,561)</b>	(66,567)
Less: direct outgoings	<b>22,099</b>	20,905
	<u>22,099</u>	<u>20,905</u>
Net rental income	<u><b>(44,462)</b></u>	<u>(45,662)</u>

## 6. TAX EXPENSES

Tax expenses in the consolidated income statement represent:

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	(1,489)	16
Overseas taxation	(49,882)	(69,807)
Deferred taxation	21,556	6,410
	<u>(29,815)</u>	<u>(63,381)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2012: 16.5%) to the profits for the six months ended 31 December 2013. 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Year 2012/2013:		
Special interim dividend in specie paid of HK\$5.01 per ordinary share (Note) (Year 2011/2012: Nil)	1,626,934	-
Final dividend paid of HK\$1.50 per ordinary share (Year 2011/2012: HK\$1.70 per ordinary share)	<u>487,593</u>	<u>552,626</u>
	<u>2,114,527</u>	<u>552,626</u>
Year 2013/2014:		
Interim dividend declared of HK\$1.00 per ordinary share (Year 2012/2013: No interim dividend declared per ordinary share)	<u>329,051</u>	<u>-</u>

Note: Following the declaration of the special interim dividend in respect of the financial year ended 30 June 2013 on 3 July 2013, the distribution of shares in The Rank Group Plc ("Rank Share") was completed on 5 September 2013 ("settlement date"). Based on the closing price of GBp153.1 per Rank Share and the exchange rate on this settlement date, the special interim dividend paid was approximately HK\$1,626.9 million, representing approximately HK\$5.01 per ordinary share.

The interim dividend declared for the year ending 30 June 2014 of HK\$329,051,000 (2013: Nil) is calculated based on 329,051,373 ordinary shares (2012: 329,051,373 ordinary shares) in issue as at 31 December 2013.

The interim dividend declared after the interim period has not been recognised as a liability at the end of the interim reporting period in the accounts.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$3,487,623,000 (2012: HK\$3,347,157,000) and the weighted average number of 325,024,511 ordinary shares (2012: 325,024,511 ordinary shares) in issue during the period.

### (b) Diluted earnings per share

Diluted earnings per share for the periods ended 31 December 2013 and 2012 equalled the basic earnings per share as there was no dilutive potential ordinary share outstanding during the period.

## 9. TRADE AND OTHER RECEIVABLES

	At 31 December 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
Trade debtors	1,926,289	2,350,946
Accrued receivables for sales consideration not yet billed on completed development properties	-	717,838
Deposits and prepayments	1,122,918	1,431,122
Derivative financial instruments, at fair value	76,393	92,368
Interest receivables	30,955	6,841
	<u>3,156,555</u>	<u>4,599,115</u>

Included in trade and other receivables is HK\$75.2 million (30 June 2013: HK\$65.9 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 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
Within 1 month	1,887,301	2,317,833
1 to 3 months	23,472	16,382
More than 3 months	15,516	16,731
	<u>1,926,289</u>	<u>2,350,946</u>

## 10. TRADE AND OTHER PAYABLES

	At 31 December 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
Trade creditors	744,308	1,409,582
Other payables and accrued operating expenses	6,464,236	6,473,662
Derivative financial instruments, at fair value	107,929	94,385
Amounts due to fellow subsidiaries	155,702	127,413
Amounts due to associates	264	272
Amounts due to joint ventures	2,288	2,350
	<u>7,474,727</u>	<u>8,107,664</u>

Included in trade and other payables is HK\$683.1 million (30 June 2013: HK\$923.8 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 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
Within 1 month	705,825	1,218,586
1 to 3 months	22,642	116,841
More than 3 months	15,841	74,155
	<u>744,308</u>	<u>1,409,582</u>

The amounts due to fellow subsidiaries, associates and joint ventures 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 year ends for presentation purposes only (31 December 2013: US\$1 = HK\$7.7541, 30 June 2013: US\$1 = HK\$7.7568, 31 December 2012: US\$1 = HK\$7.75115).

## **INTERIM DIVIDEND**

The Directors have declared an interim dividend of HK\$1.00 per share amounting to approximately HK\$329.1 million (2012/2013 interim dividend: Nil) for the financial year ending 30 June 2014 which will be payable on Tuesday, 25 March 2014 to the shareholders whose names appear on the Register of Members on Monday, 17 March 2014.

## **REVIEW OF OPERATIONS**

### **Financial Results**

The unaudited consolidated profit attributable to shareholders for the six months ended 31 December 2013, after taxation and non-controlling interests, amounted to HK\$3,488 million, as compared to HK\$3,347 million for the previous corresponding period. Basic earnings per share amounted to HK\$10.73.

For the six months ended 31 December 2013, the principal investment division posted a net operating profit of HK\$2,684 million.

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

- property development and investment of HK\$794 million;
- contributions from associates and joint ventures of HK\$530 million;
- hospitality and leisure business of HK\$319 million; and
- oil and gas royalty of HK\$159 million.

Revenue increased by 28% to HK\$7.7 billion. The increase was mainly attributable to the increase in revenue derived from the property development and investment sector of HK\$1.0 billion and hospitality and leisure sector of HK\$536 million.

### **Principal Investment**

Most equity markets rallied strongly in the six months to December 2013. A major contributing factor remained to be the extremely accommodative monetary policies pursued by major central banks, with the prospect of very low interest rates continuing for an extended period of time. Developed countries continued to out-perform their emerging market peers during the period, with some of them reaching all-time or multi-year highs.

Our strategy remains to focus on investing in fundamentally sound companies that can benefit from various long-term cycle trends that we have identified in markets and sectors. We allocated more effort and resources in analyzing recovery situations that were accompanied with supportive valuation. On the back of strong performance in their prices, the investment portfolio registered a satisfactory total return for the period and we selectively realised profits in some of our positions.

During the period under review, financial markets were volatile over expectations of the timing of USA's Federal Reserve tapering its quantitative easing. Treasury continued to focus on hedging FX exposures of our investment positions. It also capitalised on the interest rate volatility to enhance yields to lower the net interest expense of the Group.

## **Property Development and Investment**

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

GuocoLand's profit attributable to equity holders for the half year ended 31 December 2013 was S\$96.6 million, as compared to a profit of S\$21.6 million for the previous corresponding period.

Revenue for the half year ended 31 December 2013 increased by 17% to S\$488.3 million as compared to the previous corresponding period. Higher revenue was mainly due to revenue recognised for Seasons Park in Tianjin, China, on completed units which were handed over to buyers.

Other income increased to S\$116.4 million in the current period from S\$10.7 million in the previous corresponding period largely due to a gain from sale of GuocoLand's interest in subsidiaries. Other expenses dropped by 79% to S\$1.8 million in the current period as there was no foreign exchange loss recorded. A net foreign exchange gain of S\$5.3 million was recorded in other income for the half year ended 31 December 2013.

Finance costs increased by 38% to S\$47.4 million for the half year ended 31 December 2013 due to higher borrowings and lower capitalisation of interest expenses during the current period.

In Singapore, government cooling measures have impacted sentiments for private residential property, especially the luxury segment. In China, the central government is expected to continue the urbanisation process, loosen control of interest rates and rely more on market dynamics to determine resource allocation. Analysts expect this policy agenda to be supportive of the stable development of China's property sector. GuocoLand will continue to be alert to the operating environment and will focus on strong execution and delivery of its current projects.

## **Hospitality and Leisure Business**

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

GuocoLeisure recorded a profit after tax for the half year ended 31 December 2013 of US\$30.0 million, a decrease of 15.0% as compared to US\$35.3 million in the previous corresponding period. The decrease was mainly attributed to higher costs for the on-going transformation and rebranding in the hotel sector and lower income from the Bass Strait oil and gas royalty in Australia.

Revenue stood at US\$214.5 million, which is 5.2% above that of the previous corresponding period. This was mainly due to higher revenue generated from the hotel and property development segments as a result of improved RevPAR and land disposal respectively.



Income from the Bass Strait oil and gas royalty in Australia decreased by 12.5% to US\$22.4 million as compared to US\$25.6 million in the previous corresponding period, principally due to lower average crude oil prices and lower oil and gas production.

Macro-economic factors such as increases in corporate spending, suggesting growth in demand from higher paying corporate segments of the demand base, has resulted in accelerating pricing power across GuocoLeisure's London estate. GuocoLeisure expects its London hotels to continue to outperform hotels in other key European cities and UK regional properties alike. February 2014 sees the start of a major refurbishment programme across 5 hotels in its London estate. In the short term, the cost of such refurbishment as well as its re-branding initiative will impact on performance.

In December 2013, GuocoLeisure resolved to delist GuocoLeisure from the Main Board of New Zealand Exchange Limited ("NZSX") with effect from 27 June 2014 as trading in GuocoLeisure shares on the NZSX has been light in recent years. The costs of remaining listed on the NZSX outweigh the benefits of maintaining that listing. The last day on which shareholders will be able to trade GuocoLeisure shares on NZSX is 24 June 2014. Following the delisting date, GuocoLeisure shares may be traded on only the Singapore Exchange, where GuocoLeisure maintains its primary listing.

### ***The Rank Group Plc ("Rank")***

Rank registered a reduction in its profit before taxation (before exceptional items and discontinued operations) for the half year ended 31 December 2013 by 22% to GBP28.3 million.

Revenue from continuing operations grew by 16% to GBP352.4 million, following the acquisition of 19 casinos in May 2013 and taxes on gaming machines moving from a sales tax to gaming duty from 1 February 2013. The gaming duty effectively grosses up revenue but has no material impact on overall profitability.

Operating profit before exceptional items of GBP32.7 million was down by 14% as compared to the previous corresponding period. The Grosvenor Casinos brand delivered a good increase in operating profit, including the contribution generated from the 19 acquired casinos. However Rank's London casinos underperformed against a tough comparative period, with win margin down 2.9 percentage points and gaming handle down 6%. Mecca's profits were adversely impacted by an 8% drop in customer visits and increased digital marketing costs on customer acquisition.

Exceptional items and discontinued operations totalling GBP22.9 million comprised a provision for repayment of output VAT following a recent decision by the UK Court of Appeal, further integration costs associated with the Gala Casinos acquisition and direct tax refunds on previously disposed businesses. Rank intends to appeal the Court decision but is likely to have to repay the tax ahead of any appeal.

Despite the challenging start to the year against tough first half comparators, Rank anticipates operating profit in the second half of the financial year, excluding the impact of the acquired casinos, will be broadly in line with the comparable period.

## **Financial Services**

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

HLFG achieved a profit before tax of RM1,565.8 million for the half year ended 31 December 2013 as compared to RM1,446.1 million in the previous corresponding period, an increase of 8.3%.

The commercial banking division recorded a profit before tax of RM1,362.7 million for the half year ended 31 December 2013, an increase of 6.8% versus the previous corresponding period. The good performance was mainly due to higher net interest income despite a drop in net interest margin, increased share of profit from a joint venture and Bank of Chengdu Co., Ltd (a 19.99% owned associated company), and higher write back of impairment losses. This was however offset by higher allowance for losses on loans, advances and financing coupled with increased operating expenses net of savings, salary increase and new initiatives.

The investment banking division recorded a profit before tax of RM35.4 million for the half year ended 31 December 2013 which compares favourably to RM26.5 million in the previous corresponding period, an increase of 33.6%. This was mainly due to higher contributions from the assets management division.

The insurance division registered a profit before tax of RM167.8 million for the half year ended 31 December 2013, an increase of 60.7% as compared to RM104.4 million in the previous corresponding period. The increase in profit was largely due to lower actuarial reserves arising from higher interest rates. However, share of profits from an associate, MSIG Insurance (Malaysia) Berhad, recorded a decline of RM2.7 million compared to the previous corresponding period.

Although the Malaysian economy remains resilient, there are now greater challenges such as cost push inflation, government subsidy rationalisation and a slowdown in domestic consumption affecting domestic growth. Looking ahead, HLFG remains positive that the core businesses will continue to grow at a sustainable pace and achieve greater cost efficiencies in its enlarged business entities.

## **GROUP FINANCIAL COMMENTARY**

### ***Capital Management***

- The Group's consolidated total equity (including non-controlling interests) as at 31 December 2013 amounted to HK\$68.5 billion, an increase of 10% compared to the total equity as at 30 June 2013.
- The Group's consolidated total equity attributable to shareholders of the Company as at 31 December 2013 amounted to HK\$54.5 billion, an increase of HK\$3.9 billion compared to the figure as at 30 June 2013.

- The equity-debt ratio as at 31 December 2013 is as follows:

	HK\$'M
Total borrowings	50,937
Less: Cash and short term funds	(19,901)
Marketable securities	<u>(12,351)</u>
Net debt	<u>18,685</u>
Equity attributable to shareholders of the Company	<u>54,495</u>
Equity-debt ratio	<u>74 : 26</u>

- The Group's total cash balance and marketable securities were mainly in USD (36%), RMB (29%), HKD (11%), and GBP (9%).

### **Total Borrowings**

The increase in total borrowings from HK\$50.1 billion as at 30 June 2013 to HK\$50.9 billion as at 31 December 2013 was primarily due to the drawdown of additional bank loans by GuocoLand to support its operating activities. The Group's total borrowings are mainly denominated in SGD (56%), USD (15%), GBP (10%) 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	10,624	1,820	3,915	16,359
After 1 year but within 2 years	5,674	-	3,266	8,940
After 2 years but within 5 years	15,274	-	8,435	23,709
After 5 years	347	749	833	1,929
	<u>21,295</u>	<u>749</u>	<u>12,534</u>	<u>34,578</u>
	<u>31,919</u>	<u>2,569</u>	<u>16,449</u>	<u>50,937</u>

Bank loans, mortgage debenture stock and other borrowings are secured by certain properties, fixed assets and trading financial assets with an aggregate book value of HK\$37.3 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 31 December 2013 amounted to approximately HK\$11.9 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 2013, approximately 64% of the Group's borrowings were at floating rates and the remaining 36% 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 2013, there were outstanding foreign exchange contracts with a total notional amount of HK\$18.4 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 2013, are pending. As previously stated, GuocoLand is 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

##### ***Rank liabilities relating to Fiscal Neutrality Case***

In previous periods, Rank disclosed a contingent liability in respect of a claim for repayment of VAT on amusement machines. In May 2010, Rank received GBP30.8 million (approximately HK\$394.7 million) (VAT of GBP26.4 million (approximately HK\$338.1 million) plus interest of GBP4.4 million (approximately HK\$56.6 million)) in respect of the claim, which has been the subject of on-going litigation. During the period, the Court of Appeal found in favour of HM Revenue & Customs and consequently an amount of GBP26.4 million (approximately HK\$338.1 million) has

been provided to cover the expected outflow, together with an accrual for interest of GBP7.9 million (approximately HK\$101.6 million) (representing the original interest receipt of GBP4.4 million (approximately HK\$56.6 million) plus interest since receipt of GBP3.5 million (approximately HK\$45.0 million)). Rank has applied for leave to appeal to the Supreme Court, and it therefore remains possible that Rank will not ultimately be liable for these amounts.

## **OUTLOOK**

Looking ahead, markets are likely to remain volatile especially after their runs in the past two years. Operating environment of our core businesses remained challenging. While maintaining a cautiously optimistic view on markets, we continue to exercise prudence in managing the risk of our investment portfolio. We will stay vigilant and our core businesses will continue to focus on execution of their business strategies to achieve satisfactory operating results and sustainable growth.

## **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.

## **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.

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.

## **REVIEW BY BOARD AUDIT COMMITTEE**

The unaudited interim results for the six months ended 31 December 2013 have been reviewed by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed on Monday, 17 March 2014, on which date no share transfers will be registered.

To qualify for the interim dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 March 2014.

*As at the date of this announcement, the Board comprises Mr. Quek Leng Chan as 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, Mr. Roderic N. A. Sage and Mr. David Michael Norman as independent non-executive directors.*

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

Hong Kong, 27 February 2014