

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2008

	Six months ended 31 December		Decrease
	2008	2007 (Restated (note 3))	
	HK\$'M	HK\$'M	
Turnover	8,973	14,482	38%
Revenue	4,499	5,825	23%
(Loss)/profit from operations before finance cost	(2,385)	1,970	N/A
(Loss)/profit attributable to shareholders of the Company	(2,505)	1,021	N/A
	HK\$	HK\$	
(Loss)/earnings per share	(7.71)	3.14	N/A
Dividend per share	0.50	1.00	50%
	As at		
	31 December	30 June	
	2008	2008	
	HK\$	HK\$	
Equity per share attributable to shareholders of the Company	107.96	125.17	14%

RESULTS

The unaudited consolidated results of Guoco Group Limited (the "Company") for the six months ended 31 December 2008 together with restated comparative figures for the corresponding period last year are as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008 - Unaudited

		2008	2007
			(Restated (note 3))
	Note	HK\$'000	HK\$'000
Turnover	2 & 3	8,972,605	14,482,457
Revenue	2 & 3	4,499,474	5,825,400
Cost of sales		(2,996,510)	(2,946,540)
Other attributable costs		(80,685)	(90,701)
		1,422,279	2,788,159
Other revenue		233,266	228,980
Other net (losses) / income	4	(3,334,982)	18,067
Administrative and other operating expenses		(705,889)	(1,065,572)
(Loss)/profit from operations before finance cost	2	(2,385,326)	1,969,634
Finance cost	5(a)	(251,780)	(593,898)
(Loss)/profit from operations	2	(2,637,106)	1,375,736
Impairment loss written back on properties		-	11,023
Profit on disposal of investment properties		-	33,520
Share of profits of associates	5(c)	211,543	179,631
Share of profits less losses of jointly controlled entities	5(c)	9,083	11,335
(Loss)/profit for the period before taxation	5	(2,416,480)	1,611,245
Taxation	6	(15,678)	(296,122)
(Loss)/profit for the period		(2,432,158)	1,315,123
Attributable to :			
Shareholders of the Company		(2,504,558)	1,020,982
Minority interests		72,400	294,141
(Loss)/profit for the period		(2,432,158)	1,315,123
(Loss)/earnings per share		HK\$	HK\$
Basic	8	(7.71)	3.14
Diluted	8	N/A	3.12
		HK\$'000	HK\$'000
Interim dividend	7	164,526	329,051

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	At 31 December 2008 (Unaudited) Note	At 30 June 2008 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Fixed assets		
- Investment properties	2,657,885	2,814,237
- Other property, plant and equipment	9,159,960	12,314,105
Interest in associates	2,871,798	2,880,612
Interest in jointly controlled entities	795,137	834,690
Available-for-sale financial assets	1,800,670	1,100,323
Deferred tax assets	1,263	1,248
Intangible assets	1,091,642	1,553,761
Goodwill	262,979	266,475
	<u>18,641,334</u>	<u>21,765,451</u>
CURRENT ASSETS		
Development properties	25,403,112	26,827,421
Properties held for sale	629,583	209,815
Trade and other receivables	9 2,169,234	1,685,002
Trading financial assets	3,930,891	4,160,779
Cash and short term funds	19,590,533	25,377,081
	<u>51,723,353</u>	<u>58,260,098</u>
CURRENT LIABILITIES		
Trade and other payables	10 5,694,508	5,455,444
Current portion of bank loans and other borrowings	5,140,294	5,934,322
Taxation	287,322	305,072
Provisions and other liabilities	18,499	60,411
	<u>11,140,623</u>	<u>11,755,249</u>
NET CURRENT ASSETS	<u>40,582,730</u>	<u>46,504,849</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>59,224,064</u>	<u>68,270,300</u>
NON-CURRENT LIABILITIES		
Non-current portion of bank loans and other borrowings	14,854,841	16,279,754
Provisions and other liabilities	88,752	144,928
Deferred tax liabilities	911,805	1,198,293
	<u>15,855,398</u>	<u>17,622,975</u>
NET ASSETS	<u>43,368,666</u>	<u>50,647,325</u>
CAPITAL AND RESERVES		
Share capital	1,275,068	1,283,130
Reserves	34,250,145	39,902,618
Equity attributable to shareholders of the Company	35,525,213	41,185,748
Minority interests	7,843,453	9,461,577
TOTAL EQUITY	<u>43,368,666</u>	<u>50,647,325</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, including compliance 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 2007/08 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2008/09 annual financial statements as described below.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. The adoption of the new standards, amendments and interpretations had no material impact on the Group's results and financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position whereas the adoption of HKFRS 8, Operating Segments may result in new or amended disclosures in the financial statements.

Effective for accounting periods
beginning on or after

HK(IFRIC) – Int 16, Hedges of a Net Investment in a Foreign Operation	1 October 2008
HKAS 1 (Revised), Presentation of Financial Statements	1 January 2009
HKFRS 8, Operating Segments	1 January 2009
HKAS 23 (Revised), Borrowing Costs	1 January 2009
Amendments to HKFRS 2, Share-based Payment - Vesting Conditions and Cancellations	1 January 2009
Amendments to HKAS 32 and HKAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
Amendments to HKFRS 1 and HKAS 27, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HK (IFRIC) – Int 15, Agreements for the Construction of Real Estate	1 January 2009
HKAS 27 (Revised), Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised), Business Combinations	1 July 2009
HK (IFRIC) – Int 17, Distributions of Non-cash Assets to Owners	1 July 2009
Amendment to HKAS 39, Eligible Hedged Items	1 July 2009

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Apart from the above, the HKICPA has also issued Improvements to HKFRSs which sets out 35 amendments to 20 HKFRSs. Except for the amendment to HKFRS 5 which is effective for the accounting periods beginning on or after 1 July 2009, other amendments are effective for accounting periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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 2007/08 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 2008 included in the interim financial report is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2008 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. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8 September 2008.

2. SEGMENT INFORMATION

Business Segments (Unaudited)

	Principal investment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Securities, commodities and brokerage HK\$'000	Hotel and gaming operations HK\$'000	Oil and gas HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
For the six months ended 31 December 2008								
Turnover	4,913,925	2,421,611	77,228	25,397	1,534,444	-	-	8,972,605
Revenue	440,794	2,421,611	77,228	25,397	1,534,444	-	-	4,499,474
Inter-segment revenue	219,262	-	3,999	2,317	-	-	(225,578)	-
	660,056	2,421,611	81,227	27,714	1,534,444	-	(225,578)	4,499,474
Contribution from operations	(3,108,288)	113,428	39,207	3,813	259,244	156,301	-	(2,536,295)
Unallocated income								157,262
Unallocated expenses								(6,293)
Loss from operations before finance cost								(2,385,326)
For the six months ended 31 December 2007								
Turnover	9,603,345	2,845,682	66,620	84,164	1,882,646	-	-	14,482,457
Revenue (Restated (note 3))	946,288	2,845,682	66,620	84,164	1,882,646	-	-	5,825,400
Inter-segment revenue	1,241,591	-	3,744	538	-	-	(1,245,873)	-
	2,187,879	2,845,682	70,364	84,702	1,882,646	-	(1,245,873)	5,825,400
Contribution from operations	795,645	767,375	34,597	48,381	307,395	83,961	-	2,037,354
Unallocated expenses								(67,720)
Profit from operations before finance cost								1,969,634

2. SEGMENT INFORMATION (cont'd)

Geographical Segments (Unaudited)

	Revenue		(Loss)/profit from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2008	2007 (Restated (note 3))	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	396,620	625,812	(2,893,537)	416,646
United Kingdom	1,486,905	1,828,874	109,383	116,405
Singapore	2,333,370	486,332	Note 37,828	81,824
The People's Republic of China ("PRC") & others	282,579	2,884,382	Note 109,220	760,861
	4,499,474	5,825,400	(2,637,106)	1,375,736

Note:

In accordance with applicable Hong Kong Financial Reporting Standards, at Group level we have recognised revenue arising from the pre-sale of properties upon completion of development projects instead of using the percentage of completion method adopted by GuocoLand Limited ("GLL") as permitted under the relevant Singapore Accounting Standards. Accordingly, operating profits of GLL for the period amounting to HK\$171.3 million (2007: HK\$79.6 million) and HK\$34.1 million (2007: HK\$6.2 million) in Singapore and PRC & other regions respectively have been deferred for recognition in the Group accounts. The Group has recognised operating profits of GLL which have been deferred in previous years amounting to HK\$97.6 million (2007: HK\$nil) and HK\$1.6 million (2007: HK\$354.9 million) in Singapore and PRC & other regions respectively for those development projects completed during the period. Up to 31 December 2008, accumulated operating profits of GLL totalling HK\$381.3 million (2007: HK\$151.3 million) in Singapore and HK\$56.6 million (2007: HK\$10.1 million) in PRC & other regions have been deferred for recognition, which 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from sale of properties	2,421,611	2,845,683
Revenue from hotel and gaming operations	1,534,444	1,882,646
Interest income	387,025	865,229
Dividend income from listed securities	51,049	99,165
Rental income from properties	77,089	66,035
Securities commission and brokerage	18,228	55,589
Others	10,028	11,053
Revenue	4,499,474	5,825,400
Proceeds from sale of investments in securities	4,473,131	8,657,057
Turnover	8,972,605	14,482,457

Revenue, which excludes the proceeds from sale of investments in securities, is separately presented. The 2007 comparative figures were restated in order to conform with the current period presentation, which is considered to be the preferred presentation under the relevant accounting standards.

In addition to turnover, revenue is used in presenting segmental information in note 2.

4. OTHER NET (LOSSES) / INCOME

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Restated (note 3))
	HK\$'000	(Unaudited) HK\$'000
Net realised and unrealised losses on trading financial assets	(1,019,909)	(225,556)
Net realised and unrealised losses on derivative financial instruments	(406,547)	(12,700)
Net realised gains on disposal of available-for-sale financial assets	6,719	25,244
Net exchange losses on foreign exchange contracts	(49,111)	(103,861)
Other exchange (losses)/gains	(1,889,632)	307,114
Net losses on disposal of fixed assets	(225)	(70)
Other income	23,723	27,896
	(3,334,982)	18,067

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

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

(a) Finance cost	Six months ended 31 December	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	295,234	473,390
Other borrowing costs	157,006	241,087
Total borrowing costs	452,240	714,477
Less: borrowing costs capitalised into development properties (Note)	(200,460)	(120,579)
	<u>251,780</u>	<u>593,898</u>

Note: These borrowing costs have been capitalised at rates of 1.4% to 8.5% per annum (2007: 3.1% to 6.1%).

(b) Staff cost	Six months ended 31 December	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries, wages and other benefits	530,693	648,497
Retirement scheme contributions	22,227	20,571
	<u>552,920</u>	<u>669,068</u>

(c) Other items	Six months ended 31 December	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	101,447	140,206
Amortisation of Bass Strait oil and gas royalty	22,669	25,915
Operating lease charges		
- properties	17,724	13,028
- others	9,563	10,445
Auditors' remuneration	5,371	5,110
Donations	1,031	1,412
Recognition of negative goodwill on acquisition of additional interests in subsidiaries	(156,719)	-
Gross rental income from investment properties	(77,089)	(65,450)
Less: direct outgoings	17,352	28,606
Net rental income	<u>(59,737)</u>	<u>(36,844)</u>
Share of profits of associates:		
- listed	(210,652)	(157,477)
- unlisted	(891)	(22,154)
	<u>(211,543)</u>	<u>(179,631)</u>
Share of profits less losses of jointly controlled entities:		
- unlisted	<u>(9,083)</u>	<u>(11,335)</u>

6. TAXATION

Tax expenses in the consolidated income statement represent:

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	15	(4,454)
Overseas taxation	(2,581)	(268,694)
Deferred taxation	(13,112)	(22,974)
	<u>(15,678)</u>	<u>(296,122)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2007: 17.5%) to the profits for the six months ended 31 December 2008. 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Year 2007/2008:		
Final dividend paid of HK\$3.00 per ordinary share (Year 2006/2007: HK\$3.30 per ordinary share)	<u>974,517</u>	<u>1,074,504</u>
Year 2008/2009:		
Interim dividend declared of HK\$0.50 per ordinary share (Year 2007/2008: HK\$1.00 per ordinary share)	<u>164,526</u>	<u>329,051</u>

The interim dividend declared for the year ending 30 June 2009 of HK\$164,526,000 (2008: HK\$329,051,000) is calculated based on 329,051,373 ordinary shares (2007: 329,051,373 ordinary shares) in issue as at 31 December 2008.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of the Company of HK\$2,504,558,000 (2007: profit of HK\$1,020,982,000) and the weighted average number of 325,024,511 ordinary shares (2007: 325,024,511 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted loss per share is not presented for the period ended 31 December 2008 as the potential ordinary shares outstanding during the period have an anti-dilutive effect on the basic loss per share for the period.

The calculation of diluted earnings per share for the period ended 31 December 2007 was based on the profit attributable to shareholders of the Company of HK\$1,015,663,000 and the weighted average number of 325,024,511 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Trade debtors	780,025	854,110
Deposits and prepayments	1,300,821	804,087
Derivative financial instruments, at fair value	74,624	4,461
Interest receivables	13,764	22,344
	<u>2,169,234</u>	<u>1,685,002</u>

Included in trade and other receivables are amounts of HK\$41.8 million (30 June 2008: HK\$71.8 million) which are expected to be recovered after more than one year.

Included in trade and other receivables are trade debtors (net of allowance for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Current	521,750	639,522
1 to 3 months	163,346	137,987
More than 3 months	94,929	76,601
	<u>780,025</u>	<u>854,110</u>

10. TRADE AND OTHER PAYABLES

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Trade creditors	820,348	766,637
Other payables and accrued operating expenses	4,536,433	4,611,137
Derivative financial instruments, at fair value	318,484	25,885
Amounts due to fellow subsidiaries	15,655	43,011
Amounts due to associates	256	273
Amounts due to jointly controlled entities	3,332	8,501
	<u>5,694,508</u>	<u>5,455,444</u>

Included in trade and other payables are amounts of HK\$244.1 million (30 June 2008: HK\$69.4 million) which are expected to be settled after more than one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Due within 1 month or on demand	692,156	622,442
Due after 1 month but within 3 months	77,561	78,013
Due after 3 months	50,631	66,182
	<u>820,348</u>	<u>766,637</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 financial statements of the Group are expressed in the United States dollars ("USD"), which are the functional currency of the Company. The accounting figures shown above have been translated from United States dollars into Hong Kong dollar equivalent at the rates ruling at the respective financial period ends for presentation purpose only (31 December 2008: US\$1 = HK\$7.74995, 30 June 2008: US\$1 = HK\$7.79895, 31 December 2007: US\$1 = HK\$7.80090).

12. REVIEW BY BOARD AUDIT COMMITTEE

The unaudited interim results for the six months ended 31 December 2008 have been reviewed by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.50 per share amounting to approximately HK\$165 million (2007/08 interim dividend: HK\$1.00 per share amounting to approximately HK\$329 million) for the financial year ending 30 June 2009 which will be payable on 16 March 2009 to the shareholders whose names appear on the Register of Members on 9 March 2009.

REVIEW OF OPERATIONS

Financial Results

The unaudited consolidated loss attributable to shareholders for the six months ended 31 December 2008, after taxation and minority interests amounted to HK\$2,505 million, primarily arising from its principal investment business which was adversely affected by the financial turmoil during the period. For the six months ended 31 December 2008, there were realised gains of approximately HK\$61 million and unrealised losses of approximately HK\$1,081 million on trading financial assets. Total realised and unrealised losses on derivative financial instruments primarily entered into for acquiring equity for strategic investment purpose amounted to approximately HK\$84 million and HK\$322 million respectively. There were also total realised and unrealised foreign exchange losses of approximately HK\$593 million and HK\$1,346 million respectively which mainly represented exchange losses on foreign currency deposits.

We continued to generate profit (before finance cost and taxation) totalling HK\$1,071 million from the following sources:

- hospitality and leisure business of HK\$259 million;
- property operations of HK\$153 million;
- contributions from associates and jointly controlled entities of HK\$221 million;
- total interest income of HK\$387 million; and
- dividend income of HK\$51 million.

Revenue decreased by 23% to HK\$4.5 billion. The decrease was mainly attributable to the decrease in principal investment sector of HK\$505 million (53%), property development sector of HK\$424 million (15%) and hotel and gaming sector of HK\$348 million (18%).

Principal Investment

The six months period to December 2008 represented an unprecedented volatile period for global financial markets. The turmoil in the credit market, triggered initially by a downturn in the U.S. housing market and associated failure of complicated financial products, finally led to a severe worldwide financial crisis. In response, government authorities undertook massive fiscal stimulus and bailout measures combined with aggressive interest rate cuts to prevent a full-blown global financial meltdown. Nevertheless, volatility across asset classes continued to hit extreme levels and the financial world experienced large-scale wealth evaporation.

Under such an extremely adverse environment, we remained cautious in managing our investment portfolio during this period. We opted to stay largely in cash and were able to

minimise overall negative returns. The losses arose mainly from short term mark-to-market differences on our strategic holdings. We will continue to identify more strategic investment opportunities which generate better returns.

On our liquid funds, the Treasury team had adopted a balanced portfolio approach in diversifying the currency base of deposits. However, the rapid appreciation of USD versus other currencies during the review period resulted in substantial unrealised foreign exchange losses.

Property Development and Investment

GuocoLand Limited (“GLL”) – 65.2% controlled by Guoco

For the half year ended 31 December 2008, GLL reported a net loss of S\$2.0 million compared to a net profit of S\$60.6 million in the previous corresponding period. There was an unrealised translation loss of S\$22.1 million arising primarily from the revaluation of US\$300 million bank loans as the USD appreciated against the SGD.

GLL’s revenue and cost of sales decreased by 38% and 37% to S\$247.7 million and S\$195.9 million respectively compared to the previous corresponding period mainly due to lower sales for property development projects in China offset by higher sales in Singapore.

Other income decreased from S\$45.1 million to S\$10.6 million. The previous corresponding period included net foreign exchange gains of S\$34.7 million comprising mainly unrealised exchange gain from revaluation of USD bank loans.

Finance costs fell by 29% to S\$15.0 million mainly due to lower interest rates and higher interest capitalised as cost of development for new projects.

Share of profit after tax from associates increased from S\$1.2 million to S\$4.5 million as GLL’s 19.97% associate, Tower Real Estate Investment Trust, recognised a revaluation gain of RM38.7 million on its investment properties in Malaysia in December 2008.

Income tax expense decreased from S\$22.8 million to S\$5.8 million primarily due to the lower profits from the development projects in China.

The countries in which GLL operates viz Singapore, China, Malaysia and Vietnam have all been affected by the effects of the fallout from the deepening financial crisis that is sweeping across the globe. With slower economic growth in the countries in which GLL operates, sales have been slow. It is difficult to anticipate when the turnaround will happen.

The economies of Singapore, China, Malaysia and Vietnam are all expected to contract in 2009. Although various initiatives have been announced by the respective governments to stimulate growth to help their countries to deal with the turbulent period, it may take time for these initiatives to take effect.

In view of the uncertainties in this economic climate, GLL will continue to adopt measures to protect its cash-flow and strengthen its financial position. Unforeseen circumstances and volatility in the operating environment may continue to affect GLL’s performance for the financial year ending 30 June 2009.

Hospitality and Leisure Business

GuocoLeisure Limited (“GL”) – 55.7% controlled by Guoco

GL registered a profit of US\$29.1 million for the first half-year ended 31 December 2008. This was a marginal dip of 3.3% as compared to the corresponding period in the previous year. There were two key factors that contributed to this overall decrease, namely one-off income items that were recognised in the previous corresponding period as well as the depreciation of GBP and AUD against USD. Excluding these two factors, GL’s profit after tax registered an increase of 63% as compared to the previous corresponding period.

The current economic situation has affected GL’s hotel revenues in the UK as tourist arrivals registered a sharp dip. In addition, revenue for the hotel operations also registered a decline due to lower number of rooms available as result of room refurbishments in the period and the termination of a hotel lease in the UK in the previous corresponding period. Furthermore, management fee income was lower mainly due to the drop in business in the UK managed hotels.

There were fewer property sales in Molokai and Denarau mainly due to the cessation of property developments in both these locations. Hence, property sales revenues were down by 84% as compared to the previous corresponding period.

The decline in revenues in the hotel and property development segments were partially offset by higher revenue from the gaming segment, which grew threefold due to higher win margins. This, coupled with business rationalization efforts in the previous financial year, helped turn around the gaming business in the UK, which registered a profit for the current half year as compared to a loss in the previous corresponding period.

Royalty income from the Bass Straits Oil Trust registered an increase of 64% as compared to the previous corresponding period due mainly to the laggard effect of higher oil and gas prices.

Operating expenses registered a decline in the current half year due mainly to business rationalization done in the previous year. There was also a one-off write back of a claims provision as well as a gain on disposal of an investment in the previous corresponding period which contributed to the higher profits in the previous corresponding period.

Financial Services

Hong Leong Financial Group Berhad (“HLFG”) – 25.4% owned by Guoco

HLFG recorded a profit before tax of RM652.3 million for the six months ended 31 December 2008 as compared to RM580.1 million in the previous corresponding period, an increase of RM72.2 million or 12.4%. This was mainly due to higher contributions from the banking division.

The banking division recorded a profit before tax of RM656.0 million for the six months ended 31 December 2008 as compared to RM548.8 million in the previous corresponding period, an increase of RM107.2 million or 19.5%. This was mainly due to higher foreign exchange gain coupled with share of profit from the Bank of Chengdu which was effective from 1 July 2008.

The insurance division recorded a profit before tax of RM15.6 million for the six months ended 31 December 2008 as compared to RM22.5 million in the previous corresponding period, a decrease of RM6.9 million or 30.7%. The decrease was mainly due to investment losses suffered from lower equity prices.

The stockbroking and asset management divisions recorded a profit before tax of RM2.9 million for the six months ended 31 December 2008 as compared to RM20.8 million in the previous corresponding period, a decrease of RM17.9 million or 86.1%. The decrease was mainly due to lower brokerage income arising from lower Bursa volumes experienced during the period.

Group Financial Commentary

Capital and Finance

- The Group's consolidated total equity (including minority interests) as at 31 December 2008 amounted to HK\$43.4 billion, a decrease of 14% comparing to the total equity as at 30 June 2008.
- The Group's consolidated total equity attributable to shareholders of the Company as at 31 December 2008 amounted to HK\$35.5 billion, a decrease of HK\$5.7 billion comparing to the figure as at 30 June 2008.

Total Cash and Liquid Funds

As at 31 December 2008, the Group has net liquid funds of HK\$3.5 billion, comprising total cash balance of HK\$19.6 billion and marketable securities of HK\$3.9 billion and after netting off total borrowings of HK\$20.0 billion.

The Group's total cash balance and marketable securities are mainly denominated in USD (46%), AUD (12%), RM (19%) and SGD (10%).

Total Borrowings

The decrease in total borrowings from HK\$22.2 billion as at 30 June 2008 to HK\$20.0 billion as at 31 December 2008 was primarily due to the repayment of project loans by GL and GLL. The Group's total borrowings are mainly in SGD (60%), GBP (15%) and USD (13%).

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

	Bank loans HK\$'M	Mortgage debenture stock HK\$'M	Convertible bonds HK\$'M	Other borrowings HK\$'M	Total HK\$'M
Within 1 year or on demand	4,924	-	-	216	5,140
After 1 year but within 2 years	2,462	-	-	620	3,082
After 2 years but within 5 years	5,313	-	3,551	-	8,864
After 5 years	8	2,901	-	-	2,909
	7,783	2,901	3,551	620	14,855
	12,707	2,901	3,551	836	19,995

The bank loans and mortgage debenture stock are secured by the following:

- legal mortgages on investment properties with an aggregate book value of HK\$82.9 million;
- legal mortgages on development properties with an aggregate book value of HK\$14.4 billion; and
- legal mortgages on property, plant and equipment with an aggregate book value of HK\$6.7 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 31 December 2008 amounted to approximately HK\$6.0 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 2008, approximately 64% of the Group's borrowings were at floating rates and the remaining 36% were at fixed rates. The Group had interest rate swaps with outstanding notional amount of HK\$809.3 million.

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 or for diversifying its deposits. All foreign currency positions are managed and monitored within prior approved limits. The Group may also raise foreign currency loans to hedge its foreign currency investments.

As at 31 December 2008, all outstanding foreign exchange contracts amounting to HK\$3.8 billion are for hedging of foreign currency share investments and bank borrowings.

Equity Price Exposure

The Group maintains a diversified investment portfolio which comprises listed and unlisted equities. Investments are classified as "trading" or "strategic". Equity investments are subject to asset allocation limits.

The Group has entered into forward agreements to purchase certain listed equity investments at a fixed price. According to these agreements, the purchase commitments of the Group will be terminated when the market price rises to a pre-determined level. Such equities are principally for strategic purpose and held as available-for-sale financial assets. As at 31 December 2008, the outstanding notional amount of these forward equity purchase contracts was HK\$1.1 billion.

Contingent Liabilities

GL has given a guarantee to the owner of the 20 (30 June 2008: 20) hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of the business will not be less than HK\$310 million (30 June 2008: HK\$431 million) per calendar year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability for any one year under the guarantee was HK\$310 million (30 June 2008: HK\$431 million) and the maximum remaining aggregate liability under the guarantee is approximately HK\$621 million (30 June 2008: HK\$861 million).

In November 2007, GLL's wholly-owned subsidiary, GuocoLand (China) Limited ("GLC"), completed its acquisition of a 100% interest in Hainan Jing Hao Asset Limited ("Hainan Co"), which in turn held a 90% stake in Beijing Cheng Jian Dong Hua Real Estate Development Company Limited ("CJDH"), the company undertaking the Dongzhimen project in Beijing ("DZM Project"). To date, an aggregate of RMB3.22 billion of the purchase consideration of RMB5.8 billion has been paid to the vendors of the DZM Project, Beijing Beida Jade Bird Company Limited ("BBJB") and its related corporations (collectively, the "vendors"). The balance of RMB2.58 billion has been withheld pending resolution of disputes described hereunder, which had been disclosed by GLL previously.

(1) Alleged claims by Shenzhen Development Bank ("SDB") and Agricultural Bank of China ("ABC")

(a) SDB

SDB claims that a loan of RMB1.5 billion was granted by SDB to certain borrowers. Amongst the security obtained by SDB is a guarantee by Beijing Dong Hua Guang Chang Zhi Ye Co Ltd ("Zhiye"), a related corporation of BBJB. An earlier suit filed by SDB against Zhiye and CJDH in The People's High Court of Beijing ("Beijing Court") was dismissed in December 2007. SDB has initiated another suit directly against CJDH for the recovery of its loan under the Zhiye guarantee ("second SDB suit"). In addition, SDB has filed an appeal against Zhiye and CJDH in respect of the dismissal of the earlier SDB suit ("SDB appeal").

An interim application was made by SDB to the Beijing Court to restrict dealing in the assets of CJDH in the aggregate sum of their claims.

Based on the information available to GLC, CJDH is neither a guarantor nor borrower of the alleged loans of RMB1.5 billion granted by SDB to borrowers who are third parties apparently unrelated to CJDH. GLC has been advised by its PRC lawyers that the SDB appeal and second SDB suit both have no merits.

Pending hearing of the SDB appeal and the second SDB suit, SDB and BBJB have purportedly entered into a settlement agreement in May 2008 for CJDH to pay RMB1 billion of the alleged loan to SDB. GLC has been advised by its PRC lawyers that the settlement agreement is void and unenforceable.

(b) ABC

ABC had claimed that CJDH and its immediate holding company, Hainan Co, are guarantors of a loan of RMB2 billion owing to ABC by Zhiye. ABC has commenced legal proceedings against Zhiye, CJDH and Hainan Co. BBJB is also a defendant in the ABC proceedings.

ABC has made an interim application to the Beijing Court to restrict dealing in the assets of Zhiye, CJDH and BBJB in the aggregate sum of their claims.

PRC lawyers of GLC are of the view that if CJDH is liable for the loan or any part thereof, GLC is entitled to set off any payment towards the loan against the balance purchase consideration still not paid by GLC.

GLC's PRC lawyers have also advised that the interim applications by SDB and ABC only restrict dealing in the assets of CJDH pending final resolution of the SDB and ABC actions. The interim applications will be expunged once the PRC courts dismiss the SDB and ABC actions.

(2) Hainan Co

In April 2008, GLL had disclosed that GLC had received a notice issued by the Hainan Trade Bureau purporting to revert registration in Hainan Co to its original shareholders being two of the vendors of the DZM Project, allegedly on the grounds that GLC has not paid the requisite consideration for the transfer of Hainan Co to GLC.

GLC has challenged the basis for this notice as the full consideration for the transfer of Hainan Co to GLC has been paid to the vendors. GLL has taken legal advice on these matters and will strongly defend and protect its 90% interest in the DZM Project. GLC has taken various legal actions which are still pending hearing and adjudication before the PRC courts.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 3,300 employees as at 31 December 2008. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to providing its staff with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual achievement as incentives to optimise performance. Share options may also be granted in accordance with the approved share option schemes or plans adopted by the Company and its subsidiaries to eligible employees to reward their contribution and foster loyalty towards the Group.

OUTLOOK

The current financial crisis will be remembered as a watershed event in modern financial history. A number of the major variables remain uncertain at this stage including the severity of this economic downturn and the pace of the eventual recovery. Over the next few months, the global macro environment will be dominated by continuation of the de-leveraging process and responses of the various government agencies. Any recovery is likely to be a prolonged process. Our core businesses will respond to the increasing economic uncertainty by intensifying cash flow management and cost control so as to remain resilient in the face of volatilities in market conditions and to take on opportunities that arise from the severe market corrections.

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

During the period, the Company has complied with the relevant provisions set out in the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in Appendix 14 to the Listing Rules applying before 1 January 2009, save that non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting pursuant to the Company's Bye-Laws. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the CGP Code.

Model Code for Securities Transactions by Directors

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

All directors of the Company, following specific enquiry by the Company, have confirmed that they have complied with the required standard set out in the Model Code applying before 1 January 2009 throughout the period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4 March 2009 to 9 March 2009, both days inclusive, during which period 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 3 March 2009.

As at the date of this announcement, the board of directors of the Company comprises Mr. Quek Leng Chan as Executive Chairman; Mr. Kwek Leng Hai as President, CEO; Mr. Tan Lim Heng and Mr. James Eng, Jr. as executive directors; Mr. Kwek Leng San as non-executive director and Mr. Sat Pal Khattar, Mr. Volker Stoeckel and Mr. Ding Wai Chuen as independent non-executive directors.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 17 February 2009