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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 2011**

	Six months ended 31 December		Increase/ (Decrease)
	2011 HK\$'M	2010 HK\$'M	
Turnover	<b>11,959</b>	25,093	(52%)
Revenue	<b>5,651</b>	3,236	75%
(Loss) / profit from operations before finance cost	<b>(2,377)</b>	3,292	N/A
(Loss) / profit attributable to shareholders of the Company	<b>(2,595)</b>	3,842	N/A
	<b>HK\$</b>	HK\$	
(Loss) / earnings per share	<b>(7.98)</b>	11.82	N/A
Interim dividend per share	<b>0.50</b>	1.00	(50%)
	<b>As at</b>		
	<b>31 December</b>	30 June	
	<b>2011</b>	2011	
	<b>HK\$</b>	HK\$	
Equity per share attributable to shareholders of the Company	<b>132.09</b>	148.94	(11%)

## RESULTS

The unaudited consolidated results of Guoco Group Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 31 December 2011 together with comparative figures for the corresponding period last year are as follows:

### CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2011 - Unaudited

	Note	2011 HK\$'000	2010 HK\$'000
Turnover	2 & 3	<u>11,958,750</u>	<u>25,092,791</u>
Revenue	2 & 3	5,650,944	3,235,595
Cost of sales		(2,839,926)	(1,578,278)
Other attributable costs		<u>(90,403)</u>	<u>(77,188)</u>
		2,720,615	1,580,129
Other revenue		396,204	241,047
Other net (losses) / income	4	(3,155,795)	2,536,224
Administrative and other operating expenses		<u>(2,337,922)</u>	<u>(1,065,620)</u>
(Loss)/ profit from operations before finance cost		(2,376,898)	3,291,780
Finance cost	2(b) & 5(a)	<u>(346,920)</u>	<u>(223,075)</u>
(Loss) / profit from operations	2	(2,723,818)	3,068,705
Profit on disposal of an associate		-	324,352
Share of profits of associates		324,904	785,871
Share of profits less losses of jointly controlled entities		<u>8,794</u>	<u>24,151</u>
(Loss) / profit for the period before taxation	2 & 5	(2,390,120)	4,203,079
Tax expenses	6	<u>(173,231)</u>	<u>(211,151)</u>
(Loss) / profit for the period		<u>(2,563,351)</u>	<u>3,991,928</u>
Attributable to :			
Shareholders of the Company		(2,595,086)	3,841,680
Non-controlling interests		<u>31,735</u>	<u>150,248</u>
(Loss) / profit for the period		<u>(2,563,351)</u>	<u>3,991,928</u>
(Loss) / earnings per share		HK\$	HK\$
Basic	8	<u>(7.98)</u>	<u>11.82</u>
Diluted	8	<u>(7.98)</u>	<u>11.82</u>
		HK\$'000	HK\$'000
Interim dividend	7	<u>164,526</u>	<u>329,051</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011 - Unaudited

	2011 HK\$'000	2010 HK\$'000
<b>(Loss) / profit for the period</b>	<u>(2,563,351)</u>	<u>3,991,928</u>
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and jointly controlled entities	(482,505)	974,417
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	141,776	(159,988)
Changes in fair value of available-for-sale financial assets	(1,253,805)	1,126,484
Transfer to profit or loss on disposal of available-for-sale financial assets	(724,782)	1,003
Actuarial gains and losses on defined benefit obligation	(3,302)	-
Share of other comprehensive income of associates	<u>101</u>	<u>516,723</u>
<b>Other comprehensive (expenses) / income for the period, net of tax</b>	<u>(2,322,517)</u>	<u>2,458,639</u>
<b>Total comprehensive (expenses) / income for the period</b>	<u>(4,885,868)</u>	<u>6,450,567</u>
Total comprehensive (expenses) / income attributable to:		
Shareholders of the Company	(4,749,359)	6,004,012
Non-controlling interests	<u>(136,509)</u>	<u>446,555</u>
	<u>(4,885,868)</u>	<u>6,450,567</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Note		
<b>NON-CURRENT ASSETS</b>		
Fixed assets		
- Investment properties	<b>10,299,800</b>	10,789,900
- Other property, plant and equipment	<b>13,994,041</b>	14,271,504
Interest in associates	<b>5,017,574</b>	4,886,320
Interest in jointly controlled entities	<b>894,867</b>	938,439
Available-for-sale financial assets	<b>11,905,722</b>	11,178,229
Deferred tax assets	<b>34,718</b>	112,604
Intangible assets	<b>7,698,268</b>	8,021,877
Goodwill	<b>531,765</b>	534,755
	<b>50,376,755</b>	50,733,628
<b>CURRENT ASSETS</b>		
Development properties	<b>31,373,343</b>	27,470,975
Properties held for sale	<b>1,518,682</b>	1,864,792
Trade and other receivables	<b>2,077,194</b>	4,269,903
Trading financial assets	<b>11,313,200</b>	16,922,533
Cash and short term funds	<b>8,881,674</b>	15,591,423
	<b>55,164,093</b>	66,119,626
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>4,223,186</b>	5,670,285
Current portion of bank loans and other borrowings	<b>26,641,201</b>	30,369,867
Taxation	<b>1,020,702</b>	1,440,539
Provisions and other liabilities	<b>103,951</b>	128,753
	<b>31,989,040</b>	37,609,444
<b>NET CURRENT ASSETS</b>	<b>23,175,053</b>	28,510,182
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>73,551,808</b>	79,243,810
<b>NON-CURRENT LIABILITIES</b>		
Non-current portion of bank loans and other borrowings	<b>17,590,258</b>	17,044,811
Amount due to non-controlling interests	<b>621,142</b>	602,782
Provisions and other liabilities	<b>595,840</b>	665,470
Deferred tax liabilities	<b>471,380</b>	695,759
	<b>19,278,620</b>	19,008,822
<b>NET ASSETS</b>	<b>54,273,188</b>	60,234,988
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>1,278,129</b>	1,280,415
Reserves	<b>42,184,912</b>	47,727,066
Equity attributable to shareholders of the Company	<b>43,463,041</b>	49,007,481
Non-controlling interests	<b>10,810,147</b>	11,227,507
<b>TOTAL EQUITY</b>	<b>54,273,188</b>	60,234,988

**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 2010/11 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011/12 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.

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 2010/11 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 2011 included in the interim financial report is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2011 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 those financial statements in their report dated 30 August 2011.

## 2. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's most 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 of the Group's reportable segments:

<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 business in the United Kingdom, Spain and Belgium.	Subsidiaries and associate
Securities, commodities and brokerage:	This segment provides stock and commodities broking and corporate advisory services principally in Hong Kong.	Subsidiary
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 2010/2011.

## 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 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 cost	(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)
<b>For the six months ended 31 December 2010</b>							
Turnover	22,080,707	1,315,179	1,662,073	34,832	-	-	25,092,791
Revenue from external customers	223,511	1,315,179	1,662,073	34,832	-	-	3,235,595
Inter-segment revenue	6,359	3,925	-	2,440	-	-	12,724
Reportable segment revenue	229,870	1,319,104	1,662,073	37,272	-	-	3,248,319
Operating profit	2,504,393	292,506	349,281	6,965	144,994	-	3,298,139
Finance cost	(8,543)	(75,167)	(145,188)	(536)	-	-	(229,434)
Profit on disposal of an associate	324,352	-	-	-	-	-	324,352
Share of profits of associates	5,761	44,074	9,965	-	-	726,071	785,871
Share of profits less losses of jointly controlled entities	-	24,151	-	-	-	-	24,151
Profit before taxation	2,825,963	285,564	214,058	6,429	144,994	726,071	4,203,079

## 2. SEGMENT REPORTING (cont'd)

(b) Reconciliations of reportable segment revenue and finance cost (unaudited)

### Revenue

	Six months ended	
	31 December	
	2011	2010
	HK\$'000	HK\$'000
Reportable segment revenue	5,661,820	3,248,319
Elimination of inter-segment revenue	<u>(10,876)</u>	<u>(12,724)</u>
Consolidated revenue (note 3)	<u>5,650,944</u>	<u>3,235,595</u>

### Finance cost

	Six months ended	
	31 December	
	2011	2010
	HK\$'000	HK\$'000
Reportable finance cost	(347,130)	(229,434)
Elimination of inter-segment finance cost	<u>210</u>	<u>6,359</u>
Consolidated finance cost (note 5(a))	<u>(346,920)</u>	<u>(223,075)</u>



## 2. SEGMENT REPORTING (cont'd)

### (c) Geographical information (unaudited)

The following table sets out information about 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	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China				
Hong Kong	<b>291,849</b>	248,890	<b>(3,022,953)</b>	2,505,015
Mainland China	<b>162,308</b>	1,100,436	<b>(Note) 8,934</b>	267,523
United Kingdom and				
Continental Europe	<b>4,953,997</b>	1,544,271	<b>354,719</b>	231,564
Singapore	<b>113,343</b>	167,000	<b>(Note) (314,937)</b>	(38,835)
Australasia and others	<b>129,447</b>	174,998	<b>(Note) 250,419</b>	103,438
	<b>5,650,944</b>	<b>3,235,595</b>	<b>(2,723,818)</b>	<b>3,068,705</b>

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 the percentage of completion method adopted by GuocoLand Limited ("GuocoLand") for residential projects under progressive payment schemes in Singapore from financial period commencing 1 July 2011.

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 the residential projects under deferred payment scheme in Singapore and other overseas residential projects, the revenue and expenses are accounted for under the completion of construction method.

Accordingly, operating profits of GuocoLand for the period amounting to HK\$334.0 million in Singapore have been deferred for recognition in the Group accounts. The Group has not recognised any operating profits of GuocoLand which have been deferred in previous years in Singapore. Up to 31 December 2011, accumulated operating profits of GuocoLand totalling 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.

In the previous corresponding period ended 31 December 2010, operating profits of GuocoLand for the period amounting to HK\$178.0 million and HK\$9.3 million in Singapore and Mainland China and other countries respectively had been deferred for recognition in the Group accounts. The Group had recognised operating profits of GuocoLand which had been deferred in previous years amounting to HK\$nil and HK\$137.6 million in Singapore and Mainland China and other countries respectively for those development projects completed during the period. Up to 31 December 2010, accumulated operating profits of GuocoLand totalling HK\$412.0 million in Singapore and HK\$304.7 million in Mainland China and other countries had been deferred for recognition.

### 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from sale of properties	176,253	1,220,307
Revenue from hotel and gaming operations	5,043,319	1,630,195
Interest income	78,322	99,645
Dividend income from listed securities	247,716	173,436
Rental income from properties	61,636	72,633
Securities commission and brokerage	22,078	28,730
Others	21,620	10,649
	<hr/>	<hr/>
Revenue	5,650,944	3,235,595
Proceeds from sale of investments in securities	6,307,806	21,857,196
	<hr/>	<hr/>
Turnover	11,958,750	25,092,791
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### 4. OTHER NET (LOSSES) / INCOME

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net realised and unrealised (losses) / gains on trading financial assets	(3,567,427)	2,238,301
Net realised and unrealised (losses) / gains on derivative financial instruments	(43,520)	5,348
Net realised gains on disposal of available-for-sale financial assets	489,007	12,157
Net gains on foreign exchange contracts	10,752	53,176
Other exchange (losses) / gains	(49,594)	224,218
Net (losses) / gains on disposal of fixed assets	(723)	303
Other income	5,710	2,721
	<hr/>	<hr/>
	(3,155,795)	2,536,224
	<hr/> <hr/>	<hr/> <hr/>

## 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	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	579,984	235,505
Other borrowing costs	143,252	138,495
Total borrowing costs	723,236	374,000
Less: borrowing costs capitalised into:		
development properties (Note)	(299,998)	(150,925)
investment properties (Note)	(76,318)	-
Total borrowing costs capitalised	(376,316)	(150,925)
	346,920	223,075

Note: These borrowing costs have been capitalised at rates of 0.9% to 6.4% per annum (2010: 0.7% to 6.0%).

(b) Staff cost	Six months ended 31 December	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries, wages and other benefits	1,698,858	557,478
Retirement scheme contributions	47,846	17,979
	1,746,704	575,457

(c) Other items	Six months ended 31 December	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	313,966	106,656
Amortisation		
- Bass Strait oil and gas royalty	17,269	28,038
- casino licences and brand name	36,652	-
Gross rental income from investment properties	(61,636)	(72,633)
Less: direct outgoings	11,746	15,064
Net rental income	(49,890)	(57,569)

## 6. TAX EXPENSES

Tax expenses in the consolidated income statement represent:

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	(7,481)	(21,819)
Overseas taxation	(172,850)	(133,163)
Deferred taxation	7,100	(56,169)
	<u>(173,231)</u>	<u>(211,151)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2010: 16.5%) to the profits for the six months ended 31 December 2011. 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Year 2010/2011:		
Final dividend paid of HK\$2.20 per ordinary share (Year 2009/2010: HK\$2.00 per ordinary share)	<u>713,697</u>	<u>651,868</u>
Year 2011/2012:		
Interim dividend declared of HK\$0.50 per ordinary share (Year 2010/2011: HK\$1.00 per ordinary share)	<u>164,526</u>	<u>329,051</u>

The interim dividend declared for the year ending 30 June 2012 of HK\$164,526,000 (2011: HK\$329,051,000) is calculated based on 329,051,373 ordinary shares (2010: 329,051,373 ordinary shares) in issue as at 31 December 2011.

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. (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\$2,595,086,000 (2010: profit of HK\$3,841,680,000) and the weighted average number of 325,024,511 ordinary shares (2010: 325,024,511 ordinary shares) in issue during the period.

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

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

For the period ended 31 December 2010, the calculation of diluted earnings per share was based on the profit attributable to shareholders of the Company of HK\$3,841,640,000 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 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Trade debtors	773,328	2,412,739
Deposits and prepayments	1,109,528	1,800,672
Derivative financial instruments, at fair value	190,065	45,713
Interest receivables	4,273	10,779
	<u>2,077,194</u>	<u>4,269,903</u>

Included in trade and other receivables is HK\$41.2 million (30 June 2011: HK\$55.3 million) which is expected to be recovered after 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 end of the reporting period:

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Current	378,375	2,308,376
1 to 3 months	320,763	37,504
More than 3 months	74,190	66,859
	<u>773,328</u>	<u>2,412,739</u>

## 10. TRADE AND OTHER PAYABLES

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Trade creditors	696,528	813,951
Other payables and accrued operating expenses	3,234,964	4,578,376
Derivative financial instruments, at fair value	248,765	180,872
Amounts due to fellow subsidiaries	40,288	94,300
Amounts due to associates	272	296
Amounts due to jointly controlled entities	2,369	2,490
	<u>4,223,186</u>	<u>5,670,285</u>

Included in trade and other payables is HK\$17.1 million (30 June 2011: HK\$468.5 million) which is expected to be payable after one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Due within 1 month or on demand	523,375	664,777
Due after 1 month but within 3 months	131,335	26,709
Due after 3 months	41,818	122,465
	<u>696,528</u>	<u>813,951</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 dollar ("USD"), which is 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 2011: US\$1 = HK\$7.76855, 30 June 2011: US\$1 = HK\$7.78245, 31 December 2010: US\$1 = HK\$7.7732).

## **12. REVIEW BY BOARD AUDIT COMMITTEE**

The unaudited interim results for the six months ended 31 December 2011 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 (2010/2011 interim dividend: HK\$1.00 per share amounting to approximately HK\$329 million) for the financial year ending 30 June 2012 which will be payable on Monday, 26 March 2012 to the shareholders whose names appear on the Register of Members on Friday, 16 March 2012.

### **REVIEW OF OPERATIONS**

#### **Financial Results**

The unaudited consolidated loss attributable to shareholders for the six months ended 31 December 2011, after taxation and non-controlling interests, amounted to HK\$2,595 million, primarily arising from its principal investment business which was adversely affected by the weakening financial market during the period. Basic loss per share amounted to HK\$7.98.

For the six months ended 31 December 2011, the principal investment division posted a net loss of HK\$2,973 million of which HK\$2,710 million represented unrealised losses on trading financial assets. There was an operating loss of HK\$168 million recorded by property development and investment sector, after the reversal of HK\$334 million profits due to the adoption of completion of construction method for revenue recognition in Hong Kong.

We generated profit (before taxation) from the following sources:

- hospitality and leisure business of HK\$469 million;
- contributions from associates and jointly controlled entities of HK\$334 million;
- oil and gas royalty of HK\$290 million;

and set off by finance cost of HK\$347 million.

Revenue increased by 75% to HK\$5,651 million. The increase was mainly attributable to the increase in hospitality and leisure sector of HK\$3,423 million (206%), net off by decrease in property development and investment sector of HK\$1,036 million (79%). Administrative and other operating expenses also increased by 119% to HK\$2,338 million. The higher revenue and administrative and other operating expenses were primarily due to the consolidation of the results of The Rank Group Plc which became a subsidiary in June 2011.

## **Principal Investment**

Market conditions remained very volatile during the period under review. Investors had to deal with a combination of complex and inter-related issues, including continued deterioration in the European sovereign debt crisis, ongoing de-leveraging in the western banking sector, growth concerns in various emerging economies especially the slowdown in China as well as an unprecedented credit rating downgrade for the U.S. Despite repeated attempts by different central banks and authorities to come up with measures to lessen the impact of these negatives, major equity markets all recorded negative returns in the second half of 2011 with some of them suffering double-digit declines. Our reported losses are mainly unrealised. Market fluctuations will inevitably affect our valuations.

## **Property Development and Investment**

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

GuocoLand reported profit after tax and non-controlling interests of S\$36,000 for the first half year ended 31 December 2011 compared to S\$80.2 million (restated) for the previous corresponding period.

Revenue for the half year ended 31 December 2011 declined by 49% to S\$254.3 million as compared to the previous corresponding period. It was derived mainly from the progressive recognition of Singapore’s residential projects for the half year ended 31 December 2011. In the previous corresponding period, in addition to contribution from Singapore’s projects, revenue was also recognised for the sale of completed projects in China, such as Ascot Park in Nanjing and SOHO units and office block in Shanghai GuoSon Centre. With the adoption of Interpretation of Financial Reporting Standard 115, sale of units in Tianjin Seasons Park, as well as Goodwood Residence units under deferred payment scheme, was not recognised as revenue in the income statement.

Other expenses increased by S\$7.8 million for the half year ended 31 December 2011 mainly due to higher net foreign exchange loss and mark-to-market loss on derivative financial instruments.

Finance costs increased from S\$13.1 million to S\$19.3 million mainly due to higher borrowings in the half year ended 31 December 2011 as compared to the previous corresponding period.

Given the current global uncertainties and government measures to cool the property sectors in Singapore and China, business conditions will continue to be challenging for GuocoLand.



## **Hospitality and Leisure Business**

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

GuocoLeisure recorded a profit after tax for the half year ended 31 December 2011 at US\$36.6 million, an increase of 2.2% as compared to US\$35.8 million in the previous corresponding period.

Revenue stood at US\$189.7 million, which was 5.2% below that of the previous corresponding period. This was mainly due to lower revenues generated from the gaming segment.

Income from the Bass Strait oil and gas royalty in Australia increased by 40.4% to US\$31.3 million, principally due to higher average crude oil and gas prices in the current period as compared to the same period a year ago. In addition, a one-off royalty distribution of US\$5.4 million arising from the resolution of a royalty entitlement dispute was received during the period.

### ***The Rank Group Plc (“Rank”)***

Profit after taxation but before exceptional items of Rank increased by 11.6% to GBP23.1 million following the improvement in trading in the United Kingdom, lower interest costs following the receipt of value added tax refunds in early 2011 and a reduction in the effective tax rate.

Exceptional items totalling GBP8.8 million comprised impairment charges mainly in relation to six bingo clubs in Spain together with restructuring costs following the decision to close a number of under-performing clubs in the United Kingdom.

During the six months ended 31 December 2011, Rank’s revenue grew by 2.8% to GBP282.7 million, while operating profit before exceptional items of GBP34.6 million was up 3.6%. Grosvenor Casinos, Mecca Bingo and Rank Interactive in the United Kingdom all delivered strong increases in operating profit but Top Rank Espana and the two Belgium casinos experienced difficult trading conditions following the implementation of full smoking bans and difficult economic conditions.

## **Financial Services**

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

HLFG achieved a profit before tax of RM995.8 million for the half year ended 31 December 2011 as compared to RM1,517.7 million in the previous corresponding period. Excluding the one-off life insurance surplus transfer of RM175 million from Hong Leong Assurance Bhd (“HLA”) as well as a RM619.0 million one-off gain on transfer of HLA general insurance business to MSIG Insurance (Malaysia) Bhd (“MSIG Malaysia”) in the previous corresponding period, HLFG recorded an increase in profit before tax by 37.6% or RM272.1 million.

The commercial banking division recorded a profit before tax of RM1,007.0 million for the half year ended 31 December 2011 as compared to RM677.1 million in the previous corresponding period, an increase of RM329.9 million. The higher contribution was mainly due to the acquisition of the entire assets and liabilities of EON Capital Berhad coupled with higher share of profits from the investment in Bank of Chengdu Co., Ltd.

The investment banking division comprising investment banking, brokerage and asset management activities recorded a profit before tax of RM22.5 million for the half year ended 31 December 2011 as compared to RM28.3 million in the previous corresponding period. The decrease in profit was mainly due to lower brokerage and management fee income as well as higher overhead expenses incurred.

The insurance division registered a profit before tax of RM15.0 million for the half year ended 31 December 2011 as compared to 'normalised' profit of RM46.3 million (which net off the aforementioned one-time gains from general insurance business and one-time surplus transfer from the life division) in the previous correspondence period. The decrease in profit was mainly due to one-off expenses of RM24.0 million relating to the MSIG Malaysia deal and also realised and unrealised mark-to-market losses on investments in Hong Leong Insurance (Asia) Limited of RM3.4 million.

## GROUP FINANCIAL COMMENTARY

### *Capital Management*

- The Group's consolidated total equity (including non-controlling interests) as at 31 December 2011 amounted to HK\$54.3 billion, a decrease of 10% compared to the total equity as at 30 June 2011.
- The Group's consolidated total equity attributable to shareholders of the Company as at 31 December 2011 amounted to HK\$43.5 billion, a decrease of HK\$5.5 billion compared to the figure as at 30 June 2011.
- The equity-debt ratio as at 31 December 2011 was as follow:

	HK\$'M
Total borrowings	44,231
Less: Cash and short term funds	(8,882)
Marketable securities	<u>(11,313)</u>
Net debt	<u>24,036</u>
Equity attributable to shareholders of the Company	<u>43,463</u>
Equity-debt ratio	<u>64 : 36</u>

- The Group's total cash balance and marketable securities were mainly in USD (38%), JPY (12%), AUD (10%), SGD (9%), RMB (8%) and HKD (8%).

### *Total Borrowings*

The decrease in total borrowings from HK\$47.4 billion as at 30 June 2011 to HK\$44.2 billion as at 31 December 2011 was primarily due to repayment of loans. The Group's total borrowings are mainly denominated in SGD (55%), USD (23%), 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>Convertible bonds</b>	<b>Other borrowings</b>	<b>Total</b>
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Within 1 year or on demand	20,483	-	2,280	3,878	26,641
After 1 year but within 2 years	6,032	-	-	35	6,067
After 2 years but within 5 years	4,007	1,944	-	4,136	10,087
After 5 years	542	705	-	189	1,436
	10,581	2,649	-	4,360	17,590
	31,064	2,649	2,280	8,238	44,231

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\$37.3 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 31 December 2011 amounted to approximately HK\$10.1 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 swap and swap spread to manage its interest rate exposure as appropriate.

As at 31 December 2011, approximately 74% of the Group's borrowings were at floating rates and the remaining 26% were at fixed rates. The Group had outstanding interest rate swaps and swap spread with notional amount of HK\$2.7 billion.

### ***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 2011, there were outstanding foreign exchange contracts with a total notional amount of HK\$23.8 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) GuocoLeisure

GuocoLeisure has given a guarantee to the buyer of various hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of the businesses will not be less than HK\$331.7 million (30 June 2011: HK\$345.5 million) per calendar year thereafter until 4 April 2012. The maximum liability under the guarantee is HK\$331.7 million (30 June 2011: HK\$345.5 million).

### (b) GuocoLand

In November 2007, GuocoLand (China) Limited ("GLC"), a wholly owned subsidiary of GuocoLand, acquired a 90% equity interest in a company that owns 100% interest in a mixed development property project in Beijing ("DZM Project Company"). There have since been legal disputes between GLC and the vendor of the 90% interest in the DZM Project Company over the title of the equity interest and claims by other parties against DZM Project Company under guarantees purportedly entered into by DZM Project Company. Full details of the legal disputes and claims have been disclosed in the previous annual report. There have been no further developments during the period.

### (c) Rank

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

On 10 November 2011, the European Court of Justice ('ECJ') released its findings on Rank's VAT case on fiscal neutrality. Rank and HM Revenue & Customs ("HMRC") have agreed that the ECJ found in favour of Rank on its bingo claims. Thus, the directors no longer consider that it necessary to disclose these claims as a contingent liability.

The ECJ also ruled on Rank's amusement machines claim. In May 2010, Rank received GBP30.8 million (VAT of GBP26.4 million plus interest of GBP4.4 million) relating to a claim for repayment of overpaid VAT on amusement machines. The ECJ's decision on Rank's amusement machines claim was not conclusive. Therefore, this part of the appeal will be referred back to the UK courts. The hearing for the case will be held on 14 March 2012 at the Upper Tribunal.

#### (ii) Grosvenor liability relating to irrecoverable VAT

Rank has been in negotiation with HMRC for several years on the means by which it calculates the amount of irrecoverable VAT in Grosvenor Casinos. The difference in Rank's position as against HMRC's position for the period under negotiation (July 2007 to June 2011) amounts to an estimated GBP7.5 million.

The point of dispute between Rank and HMRC was the subject of litigation by another, similar, taxpayer. In that case, the Court of Appeal ruled that HMRC's position was incorrect. This was the latest in a string of appeals on this point. Precedent case law indicates that Rank's position is correct and on that basis the irrecoverable VAT charge has been adjusted accordingly. In the event this was not the case, Rank would have to pay the VAT in dispute (see above) plus interest.

The directors consider that, in respect of all contingent liabilities disclosed above, it is more likely than not that no outflow will arise.

## **OUTLOOK**

Financial de-leveraging and fiscal austerity in the West will continue to exert pressure on growth. Elections and political transitions in some key countries may trigger changes and uncertainty. There have however been encouraging developments which may lead to a better economic climate.

## **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 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 had complied with the HKEx Code, save for the fact 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.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed on Friday, 16 March 2012, 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, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 15 March 2012.

*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. Ding Wai Chuen as executive directors; Mr. Kwek Leng San as non-executive director and Mr. Sat Pal Khattar, 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, 29 February 2012