国浩集團有限公司
Guoco Group Limited
(Incorporated in Bermuda with limited liability)
(Stock code: 53)

Announcement of 2005/2006 Final Results

FINANCIAL HIGHLIGHTS

		2006	2005 (As restated)	Increase
		HK$'M	*HK$'M*	
Turnover		**43,951**	14,806	197%
Profit from operations before finance cost		**5,299**	2,865	85%
Profit attributable to shareholders of the Company		**5,637**	3,229	75%
		HK$	*HK$*	
Earnings per share		**17.22**	9.82	75%
Dividend per share:	Interim	**1.00**	0.80	
	Proposed final	**3.00**	3.00	
	Proposed special	**1.00**	–	
	Total	**5.00**	3.80	32%
Equity per share attributable to shareholders of the Company		**112.20**	99.11	13%

RESULTS

The Board of Directors of Guoco Group Limited ("the Company") is pleased to announce its consolidated results for the financial year ended 30 June 2006 together with restated comparative figures for the previous year as follows:

Consolidated Income Statement

	Note	2006	2005 (Restated)
		HK$'000	*HK$'000*
Turnover	*2 & 3*	**43,951,141**	14,806,134
Cost of sales		**(37,788,259)**	(12,464,415)
Other attributable costs		**(74,445)**	(141,023)
		6,088,437	2,200,696
Other revenue		**139,812**	21,264
Other net income	*4*	**367,977**	693,270
Administrative and other operating expenses		**(1,297,681)**	(50,145)
Profit from operations before finance cost		**5,298,545**	2,865,085
Finance cost	*5(a)*	**(382,591)**	(68,712)
Profit from operations	*2*	**4,915,954**	2,796,373
Impairment loss write back/(made) on properties		**125,688**	(10,943)
Valuation gains on investment properties		**177,916**	80,479
Profit on disposal of a subsidiary		–	8,806
Provision write back on amount due from a jointly controlled entity		–	115,778
Net profit on disposal of investment properties		–	106,181
Share of profits less losses of associates	*5(c)*	**528,312**	442,872
Share of profit of a jointly controlled entity	*5(c)*	**160,367**	59,410
Profit for the year before taxation	*5*	**5,908,237**	3,598,956
Taxation	*6*	**139,898**	(154,764)
Profit for the year		**6,048,135**	3,444,192
Attributable to:			
Shareholders of the Company		**5,636,572**	3,229,080
Minority interests		**411,563**	215,112
Profit for the year		**6,048,135**	3,444,192
Appropriations:			
Final dividend paid in respect of 2004/05	*7*	**(978,268)**	(853,908)
Interim dividend paid in respect of 2005/06	*7*	**(325,836)**	(263,241)
		(1,304,104)	(1,117,149)
Earnings per share		***HK$***	*HK$*
Basic	*8*	**17.22**	9.82
Diluted	*8*	**17.19**	9.82
		HK$'000	*HK$'000*
Proposed final dividend	*7*	**987,154**	987,154
Proposed special dividend	*7*	**329,051**	–

Consolidated Balance Sheet

	Note	2006	2005 (Restated)
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Fixed assets			
– Investment properties		**1,508,980**	1,699,581
– Other property, plant and equipment		**11,181,585**	88,694
Bass Strait oil and gas royalty		**918,662**	–
Interest in associates		**2,016,933**	4,301,196
Interest in jointly controlled entities		**852,425**	98,323
Available-for-sale financial assets		**118,636**	–
Other non-current financial assets		–	545,470
Deferred tax assets		**7,431**	9,381
Goodwill		**10,716**	(61,150)
		16,615,368	6,681,495
CURRENT ASSETS			
Development properties		**7,433,929**	3,201,543
Properties held for sale		**588,851**	1,158,331
Trade and other receivables	*9*	**2,163,470**	1,019,469
Trading financial assets		**3,955,104**	–
Other investments in securities		–	4,714,254
Cash and short term funds		**26,570,457**	23,569,453
		40,711,811	33,663,050
Assets held for sale		**684,502**	–
CURRENT LIABILITIES			
Trade and other payables	*10*	**2,230,771**	972,868
Current portion of bank loans and other borrowings		**1,932,424**	1,151,189
Taxation		**280,720**	245,673
Provisions		**22,457**	–
		4,466,372	2,369,730
NET CURRENT ASSETS		**36,929,941**	31,293,320
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,545,309**	37,974,815
NON-CURRENT LIABILITIES			
Non-current portion of bank loans and other borrowings		**7,801,557**	2,678,534
Provisions		**270,260**	–
Deferred tax liabilities		**1,053,512**	44,588
		9,125,329	2,723,122
NET ASSETS		**44,419,980**	35,251,693
CAPITAL AND RESERVES			
Share capital		**1,277,577**	1,278,696
Reserves		**35,640,878**	31,333,594
Equity attributable to shareholders of the Company		**36,918,455**	32,612,290
Minority interests		**7,501,525**	2,639,403
TOTAL EQUITY		**44,419,980**	35,251,693

Notes:

1. **BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**

Although not required to do so under the Bye-Laws of the Company, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005.

The following sets out further information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and other significant related disclosure items as previously reported for the year ended 30 June 2005.

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 30 June 2005:

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in profit for the year) HKFRS 2	HKAS 40	HKAS 1	2005 (as restated)
		(note 1(c))	*(note 1(d))*	*(note 1(j))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	14,790,442	–	–	15,692	14,806,134
Cost of sales	(12,463,272)	(1,143)	–	–	(12,464,415)
Other attributable costs	(141,023)	–	–	–	(141,023)
	2,186,147				2,200,696
Other revenue	26,464	–	–	(5,200)	21,264
Other net income	703,762	–	–	(10,492)	693,270
Administrative and other operating expenses	(48,957)	(1,188)	–	–	(50,145)
Profit from operations before finance cost	2,867,416				2,865,085
Finance cost	(68,712)	–	–	–	(68,712)
Profit from operations	2,798,704				2,796,373
Impairment loss made on properties	(10,943)	–	–	–	(10,943)
Reversal of revaluation deficit of investment properties	80,479	–	(80,479)	–	–
Valuation gains on investment properties	–	–	80,479	–	80,479
Profit on disposal of a subsidiary	8,806	–	–	–	8,806
Provision write back on amount due from a jointly controlled entity	115,778	–	–	–	115,778
Net profit on disposal of investment properties	106,181	–	–	–	106,181
Share of profits less losses of associates	534,652	–	–	(91,780)	442,872
Share of profit of a jointly controlled entity	59,410	–	–	–	59,410
Profit for the year before taxation	3,693,067				3,598,956
Taxation	(246,544)	–	–	91,780	(154,764)
Minority interests	(215,951)			215,951	–
Profit for the year	3,230,572				3,444,192
Attributable to:					
Shareholders of the Company	3,230,572	(1,492)	–	–	3,229,080
Minority interests	–	(839)	–	215,951	215,112
Profit for the year	3,230,572				3,444,192
Earnings per share *(HK$)*					
Basic	9.82	–	–	–	9.82
Diluted	9.82	–	–	–	9.82

Consolidated balance sheet as at 30 June 2005:

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in net assets) HKAS 32 & HKAS 39	HKFRS 2	HKAS 1	2005 (as restated)
		(note 1(f))	*(note 1(c))*	*(note 1(j))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Fixed assets	1,788,275	–	–	–	1,788,275
Interest in associates	4,301,196	–	–	–	4,301,196
Interest in jointly controlled entities	98,323	–	–	–	98,323
Other non-current financial assets	545,470	–	–	–	545,470
Deferred tax assets	9,381	–	–	–	9,381
Goodwill	(61,150)	–	–	–	(61,150)
	6,681,495	–	–	–	6,681,495
CURRENT ASSETS					
Development properties	3,201,543	–	–	–	3,201,543
Properties held for sale	1,158,331	–	–	–	1,158,331
Other assets	1,019,469	–	–	–	1,019,469
Other investments in securities	4,714,254	–	–	–	4,714,254
Cash and short term funds	23,569,453	–	–	–	23,569,453
	33,663,050	–	–	–	33,663,050
CURRENT LIABILITIES					
Trade and other payables	(972,868)	–	–	–	(972,868)
Current portion of bank loans and other borrowings	(1,151,189)	–	–	–	(1,151,189)
Taxation	(245,673)	–	–	–	(245,673)
	(2,369,730)	–	–	–	(2,369,730)
NET CURRENT ASSETS	31,293,320	–	–	–	31,293,320
TOTAL ASSETS LESS CURRENT LIABILITIES	37,974,815	–	–	–	37,974,815
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings	(2,678,534)	–	–	–	(2,678,534)
Deferred tax liabilities	(44,588)	–	–	–	(44,588)
Irredeemable convertible unsecured loan stocks	(63,249)	63,249	–	–	–
	(2,786,371)	63,249	–	–	(2,723,122)
MINORITY INTERESTS	(2,576,993)	–	–	2,576,993	–
NET ASSETS	32,611,451	63,249	–	2,576,993	35,251,693
CAPITAL AND RESERVES					
Share capital	1,278,696	–	–	–	1,278,696
Reserves	31,332,755	–	839	–	31,333,594
Equity attributable to shareholders of the Company	32,611,451	–	839	–	32,612,290
Minority interests	–	63,249	(839)	2,576,993	2,639,403
TOTAL EQUITY	32,611,451	63,249	–	2,576,993	35,251,693

(b) Estimated effect of changes in accounting policies in the current year

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items for the year ended 30 June 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Effect on the consolidated financial statements

Estimated effect on the consolidated income statement for the year ended 30 June 2006 (increase/(decrease) in profit for the year):

	HKFRS 3, HKAS 36 & HKAS 38	HKAS 18 & HK-INT 3	HKAS 1	Total
	(note 1(g))	*(note 1(i))*	*(Note 1(j))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	–	545,234	–	545,234
Cost of sales	–	(511,882)	–	(511,882)
Other attributable costs	–	–	–	–
	–	33,352	–	33,352
Other revenue	–	–	–	–
Other net income	–	–	–	–
Administrative and other operating expenses	(144,798)	–	–	(144,798)
Profit from operations before finance cost	(144,798)	33,352	–	(111,446)
Finance cost	–	–	–	–
Profit from operations	(144,798)	33,352	–	(111,446)
Impairment loss write back/(made) on properties	–	–	–	–
Profit on disposal of a subsidiary	–	–	–	–
Valuation gains on investment properties	–	–	–	–
Share of profits less losses of associates	–	–	45,900	45,900
Share of profit of a jointly controlled entity	–	–	–	–
Profit for the year before taxation	(144,798)	33,352	45,900	(65,546)
Taxation	–	(1,507)	(45,900)	(47,407)
Minority interests	–	–	–	–
Profit for the year	(144,798)	31,845	–	(112,953)
Attributable to:				
Shareholders of the Company	(155,949)	20,306	–	(135,643)
Minority interests	11,151	11,539	–	22,690
Profit for the year	(144,798)	31,845	–	(112,953)
Earnings per share (HK$)				
Basic	(0.47)	0.08	–	(0.39)
Diluted	(0.47)	0.08	–	(0.39)

The adoption of HKFRS 2 has been considered to have no significant impact on the consolidated income statement for the year ended 30 June 2006.

Estimated effect on the consolidated balance sheet as at 30 June 2006 (increase/(decrease) in net assets):

	HKAS 32 & HKAS 39	HKFRS 3, HKAS 36 & HKAS 38	HKAS 18 & HK-INT 3	HKAS 1	HKFRS 5	Total
	(note 1 (f))	*(note 1 (g))*	*(note 1 (i))*	*(note 1 (j))*	*(note 1 (l))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS						
Fixed assets						
– Investment properties	–	–	–	–	684,502	684,502
– Other property, plant and equipment	–	–	–	–	–	–
Bass Strait oil and gas royalty	–	–	–	–	–	–
Interest in associates	22,721	–	–	–	–	22,721
Interest in jointly controlled entities	–	–	–	–	–	–
Available-for-sale financial assets	(118,636)	–	–	–	–	(118,636)
Other non-current financial assets	179,437	–	–	–	–	179,437
Deferred tax assets	–	–	–	–	–	–
Goodwill	–	(402,362)	–	–	–	(402,362)
	83,522	(402,362)	–	–	684,502	365,662
CURRENT ASSETS						
Development properties	–	–	34,477	–	–	34,477
Properties held for sale	–	–	–	–	–	–
Trade and other receivables	–	–	–	–	–	–
Trading financial assets	(3,955,104)	–	–	–	–	(3,955,104)
Other investments in securities	3,955,104	–	–	–	–	3,955,104
Cash and short term funds	–	–	–	–	–	–
	–	–	34,477	–	–	34,477
Assets held for sale	–	–	–	–	(684,502)	(684,502)
CURRENT LIABILITIES						
Trade and other payables	–	–	–	–	–	–
Current portion of bank loans and other borrowings	–	–	–	–	–	–
Taxation	–	–	(1,553)	–	–	(1,553)
Provisions	–	–	–	–	–	–
	–	–	(1,553)	–	–	(1,553)
NET CURRENT ASSETS	–	–	32,924	–	(684,502)	(651,578)
TOTAL ASSETS LESS CURRENT LIABILITIES	83,522	(402,362)	32,924	–	–	(285,916)
NON-CURRENT LIABILITIES						
Non-current portion of bank loans and other borrowings	–	–	–	–	–	–
Provisions	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–
Irredeemable convertible unsecured loan stocks	(62,673)	–	–	–	–	(62,673)
	(62,673)	–	–	–	–	(62,673)
MINORITY INTERESTS	–	–	–	(7,501,525)	–	(7,501,525)
NET ASSETS	20,849	(402,362)	32,924	(7,501,525)	–	(7,850,114)
CAPITAL AND RESERVES						
Share capital	–	–	–	–	–	–
Reserves	59,955	(269,476)	20,997	–	–	(188,524)
Equity attributable to shareholders of the Company	59,955	(269,476)	20,997	–	–	(188,524)
Minority interests	(39,106)	(132,886)	11,927	(7,501,525)	–	(7,661,590)
TOTAL EQUITY	20,849	(402,362)	32,924	(7,501,525)	–	(7,850,114)

The adoption of HKFRS 2 has been considered to have no significant impact on the consolidated balance sheet as at 30 June 2006.

Estimated effect on net income recognised directly in consolidated equity for the year ended 30 June 2006:

	Effect of new policy (increase/(decrease) in equity) HKAS 39
	(note 1(f))
	HK$'000
For the year ended 30 June 2006	
Equity attributable to shareholders of the Company	(139,968)
Minority interests	(128,211)
Total equity	(268,179)

Estimated effect on amounts recognised as capital transactions with owners of the Group for the year ended 30 June 2006:

	Effect of new policy (increase/(decrease) in equity) HKFRS 2 *(note 1(c))* *HK$'000*
For the year ended 30 June 2006	
Equity attributable to shareholders of the Company	(2,027)
Minority interests	(551)
Total equity	(2,578)

(c) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 July 2005, in order to comply with HKFRS 2, the Group recognises the fair value of share options granted to employees as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in the share option reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related share option reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related share option reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to employees on or before 7 November 2002; and

(ii) all options granted to employees after 7 November 2002 but which had vested before 1 July 2005.

(d) Investment properties (HKAS 40, Investment property and HKAS Interpretation ("HKAS-INT") 21, Income taxes – Recovery of revalued non-depreciable assets)

(i) Timing of recognition of movements in fair value on the income statement

In prior years, investment properties with an unexpired lease term of more than 20 years were stated in the balance sheet at their open market value. An internal valuation was done annually and an independent professional valuation was made at least once every three years. The net surplus or deficit on revaluation was taken to the investment property revaluation reserve except when the total of the reserve was not sufficient to cover a deficit on an aggregate basis, in which case the amount by which the deficit exceeded the amount in the investment property revaluation reserve was charged to the income statement. No depreciation was provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation took into account the state of each property at the date of valuation. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve was transferred to the income statement for the year.

Upon adoption of HKAS 40 as from 1 July 2005, all the Group's investment properties are stated at fair value and all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40.

These changes in accounting policy have been adopted retrospectively. No adjustment to the opening balances is required as no investment property revaluation reserve existed at 1 July 2004 and 1 July 2005 respectively.

(ii) Measurement of deferred tax on movements in fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax was provided in prior years.

With effect from 1 July 2005, HKAS-INT 21 required deferred taxation to be recognised on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be through use and calculated at the applicable profits tax rate and charged to income statement. This new accounting policy has been applied retrospectively and considered to have no significant impact on the Group's results and equity.

(e) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses.

With the adoption of HKAS 17 from 1 July 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified reliably from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation. The operating leasehold land will no longer be revalued. Instead, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised on a straight-line basis over its unexpired lease term. The new accounting policy has been applied retrospectively and considered to have no significant impact on the Group's results and equity.

(f) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

(i) Changes in measurement of financial instruments

In prior years, the accounting policies for certain financial instruments were as follows:

– investments which are intended to be held on a continuing basis for an identifiable long-term purpose at the time of acquisition were classified as investment securities and stated at cost less any provisions for diminution in value which is other than temporary;

– other investments in securities were stated at fair value with changes in fair value recognised in the income statement;

– the accounting for derivative financial instruments was dependent upon whether the transactions were undertaken for dealing purposes or to hedge risk. Derivative financial instruments entered for dealing purposes were marked to market and the net present value of the gain or loss arising was recognised in the income statement as dealing profits or losses. Those designated as hedges were valued on an equivalent basis to the assets, liabilities or net positions which they were hedging. Any profit or loss was recognised on the same basis as that arising from the related assets, liabilities or net positions.

With effect from 1 July 2005, and in accordance with HKAS 39, the following new accounting policies are adopted for the financial instruments mentioned above:

All non-trading investments are classified as available-for-sale financial assets and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the investment revaluation reserve in respect of the investment is transferred to the income statement for period in which the impairment is identified.

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

All derivative financial instruments entered into by the Group are stated at fair value with change in fair value recognised in income statement.

These changes were adopted by way of an adjustment to the opening balance of certain reserves as at 1 July 2005. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(ii) Irredeemable convertible unsecured loan stock ("ICULS")

In prior year, ICULS issued were stated at amortised cost. With effect from 1 July 2005, and in accordance with HKAS 32 and HKAS 39, ICULS issued are split into their liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in the reserve until the ICULS is converted.

(g) Positive and negative goodwill (HKFRS 3, Business combinations, HKAS 36, Impairment of assets and HKAS 38, Intangible assets (collectively known as "the HKFRS 3 package"))

In prior years, for business combinations with the agreement dates before 1 January 2005, positive goodwill was amortised to the consolidated income statement on a straight-line basis over its estimated useful life and was stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses. Negative goodwill was recognised as a deferred item and was released to the income statement on a proportional basis.

The Group has adopted the HKFRS 3 package in the annual financial statement for the year ended 30 June 2006 in respect of the business combinations with the agreement dates on or after 1 January 2005. Accordingly, the Group no longer amortises positive goodwill arising from those business combinations. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds its recoverable amount. If the fair value of the net assets acquired in a business combination exceeds the consideration paid, the excess is recognised immediately in the income statement as it arises.

For business combinations with the agreement dates before 1 January 2005, this change in accounting policy has been adopted prospectively from 1 July 2005. In accordance with the transitional arrangements under HKFRS 3, comparative amounts have not been restated and the cumulative amount of amortisation as at 1 July 2005 has been offset against the cost of the positive goodwill. The carrying amount of negative goodwill has been transferred to the opening balance of retained profits as at 1 July 2005. No amortisation charge for positive and negative goodwill has been recognised in the income statement.

(h) Translation of foreign currencies (HKAS 21, The effects of changes in foreign exchange rates)

With effect from 1 July 2005, in order to comply with HKAS 21, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is re-translated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1 July 2005. This change in accounting policy has no material impact on the Group's results and equity.

As a result of the adoption of HKAS 21, exchange differences on loans from the Company to its subsidiaries and associates which form part of the Company's net investments in the subsidiaries and associates would be recognised in the Company's income statement as exchange differences. These exchange differences were previously recognised as equity in the financial statements of the Company. In the consolidated financial statements, these exchange differences are reclassified to equity. These changes in accounting policies have been applied retrospectively with comparatives restated in accordance with HKAS 21.

(i) Properties under development for sale (HKAS 18, Revenue and HK Interpretation 3, Revenue-Pre-completion contracts for the sale of development properties)

In prior years, revenue on pre-sale of properties under development for sale was recognised in the financial statements using the percentage of completion method based on the stage of completion as certified by the architects or quantity surveyors. Provision for foreseeable loss was made in the year in which such loss was determined.

With the introduction of the HK Interpretation 3, the Group now recognises revenue arising from pre-sale of properties upon completion of the development of the property. The Group has relied on the transitional provisions set out in the Interpretation such that the Group will continue to adopt the stage of completion method to recognise revenue arising from pre-sale contracts entered into before 1 January 2005 while the completion method has been adopted for pre-sale contracts entered into after 1 January 2005.

(j) Presentation changes (HKAS 1, Presentation of financial statements)

(i) Minority interests

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 July 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

(ii) Presentation of shares of associates' and jointly controlled entities' taxation

In prior years, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 July 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated.

(iii) Reclassification of comparative information

Certain items in turnover, other revenue and other net income have been reclassified to conform with current year presentation.

(k) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

(l) Non-current assets/liabilities held for sale (HKFRS 5, Non-current assets held for sale and discontinued operations)

With effect from 1 July 2005, in order to comply with HKFRS 5, non-current assets/liabilities held for sale are presented separately from other assets/liabilities on the face of the balance sheet. Immediately before classification as held for sale, the measurement of the relevant assets (or all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable HKFRSs. Then on initial classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any differences are taken to the income statement.

2. SEGMENT INFORMATION

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment in accordance with the Group's internal financial reporting.

Business Segments

For the year ended 30 June 2006

	Proprietary asset management *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Securities, commodities and brokerage *HK$'000*	Hotel operations *HK$'000*	Oil and gas *HK$'000*	Other operations *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Turnover	40,720,624	1,186,499	74,888	71,036	1,898,094	–	–	–	43,951,141
Inter-segment turnover	596,888	–	4,807	5,016	–	–	–	(606,711)	–
	41,317,512	1,186,499	79,695	76,052	1,898,094	–	–	(606,711)	43,951,141
Contribution from operations	4,942,200	57,416	124,453	32,497	(83,833)	60,126	–	–	5,132,859
Unallocated income									339,526
Unallocated expenses									(173,840)
Profit from operations before finance cost									5,298,545
Finance cost									(382,591)
Profit from operations									4,915,954
Impairment loss write back on properties	–	125,688	–	–	–	–	–	–	125,688
Valuation gains on investment properties	–	–	177,916	–	–	–	–	–	177,916
Share of profits less losses of associates	354,736	64,397	–	–	109,179	–	–	–	528,312
Share of profit of a jointly controlled entity	–	160,367	–	–	–	–	–	–	160,367
Profit for the year before taxation									5,908,237
Taxation									139,898
Profit for the year									6,048,135
Segment assets	30,654,354	10,710,797	2,593,670	238,229	11,479,373	977,942	401,127	–	57,055,492
Unallocated assets									956,189
Total assets									58,011,681
Segment liabilities	1,093,231	5,787,706	255,421	102,206	4,727,927	2,516	–	–	11,969,007
Unallocated liabilities									1,622,694
Total liabilities									13,591,701

For the year ended 30 June 2005 (Restated)

	Proprietary asset management *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Securities, commodities and brokerage *HK$'000*	(Note) Insurance *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Turnover	12,709,847	1,868,389	93,528	48,707	85,663	–	14,806,134
Inter-segment turnover	148,158	–	3,816	1,585	132	(153,691)	–
	12,858,005	1,868,389	97,344	50,292	85,795	(153,691)	14,806,134
Contribution from operations	2,328,802	325,771	39,777	7,073	2,137	–	2,703,560
Unallocated income							276,372
Unallocated expenses							(114,847)
Profit from operations before finance cost							2,865,085
Finance cost							(68,712)
Profit from operations							2,796,373
Impairment loss on properties	–	(10,943)	–	–	–	–	(10,943)
Valuation gains on investment properties	–	–	80,479	–	–	–	80,479
Profit on disposal of a subsidiary							8,806
Provision write back on amount due from a jointly controlled entity	–	115,778	–	–	–	–	115,778
Net profit on disposal of investment properties	–	–	106,181	–	–	–	106,181
Share of profits less losses of associates	286,896	155,976	–	–	–	–	442,872
Share of profit of a jointly controlled entity	–	59,410	–	–	–	–	59,410
Profit for the year before taxation							3,598,956
Taxation							(154,764)
Profit for the year							3,444,192
Segment assets	31,234,852	6,476,874	2,031,360	189,567	–	–	39,932,653
Unallocated assets							411,892
Total assets							40,344,545
Segment liabilities	186,582	2,823,894	40,010	69,956	–	–	3,120,442
Unallocated liabilities							1,972,410
Total liabilities							5,092,852

Note: The Group has disposed of the entire interest in Dao Heng Insurance Co., Limited in 2005.

Geographical Segments

	Turnover 2006 *HK$'000*	Turnover 2005 (Restated) *HK$'000*	Profit from operations 2006 *HK$'000*	Profit from operations 2005 (Restated) *HK$'000*
Hong Kong	39,702,203	12,800,243	4,480,824	2,057,061
United Kingdom	1,898,094	–	(318,163)	–
Singapore	1,645,283	939,946	430,231	209,611
The People's Republic of China ("PRC")	608,605	1,063,559	36,566	314,828
USA	92,755	–	9,528	–
Australasia	2,865	–	40,961	–
Malaysia	1,289	754	165,344	211,422
Asia (excluding Hong Kong, Singapore, PRC and Malaysia)	47	1,632	70,663	3,451
	43,951,141	14,806,134	4,915,954	2,796,373

	Segment assets 2006 *HK$'000*	Segment assets 2005 (Restated) *HK$'000*	Capital expenditure 2006 *HK$'000*	Capital expenditure 2005 *HK$'000*
Hong Kong	28,983,073	27,889,472	3,510	1,780
United Kingdom	11,051,433	–	106,554	–
Singapore	6,760,228	8,166,468	6,367	2,534
The People's Republic of China ("PRC")	3,919,655	1,632,641	1,538	1,632
USA	1,699,460	–	–	–
Australasia	1,323,765	–	–	–
Malaysia	3,877,102	2,477,892	–	–
Asia (excluding Hong Kong, Singapore, PRC and Malaysia)	396,965	178,072	101	–
	58,011,681	40,344,545	118,070	5,946

3. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include proprietary asset management, property development and investment, stock and commodities broking, investment advisory and hotel investment and management.

An analysis of the amount of each significant category of revenue recognised as turnover during the year is as follows:

	2006 *HK$'000*	2005 (Restated) *HK$'000*
Proceeds from sale of investments in securities	39,689,469	11,930,876
Income from sale of properties	1,186,499	1,868,389
Revenue from hotel operations	1,898,094	
Interest income		
– from listed securities	11,687	5,199
– others	784,619	526,219
Dividend income	251,561	259,414
Gross insurance premiums	–	83,976
Rental income from properties	73,039	88,787
Security commission and brokerage	50,792	40,391
Other income	5,381	2,883
	43,951,141	14,806,134

4. OTHER NET INCOME

	2006 *HK$'000*	2005 (Restated) *HK$'000*
Net unrealised gains on trading financial assets	279,361	294,496
Net exchange (losses)/gains on FX contracts	(16,175)	94,399
Other exchange gains	48,734	287,735
Net (losses)/profits on disposal of fixed assets	(61,089)	459
Real estate tax rebate income	33,235	–
Cash distributions of investments	80,347	–
Others	3,564	16,181
	367,977	693,270

5. PROFIT FOR THE YEAR BEFORE TAXATION

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

(a) Finance cost

	2006 *HK$'000*	2005 *HK$'000*
Interest on bank advances and other borrowings wholly repayable within five years	213,030	112,500
Other borrowing costs	262,487	9,994
Total borrowing costs	475,517	122,494
Less: borrowing costs capitalised into development properties *(Note)*	(92,926)	(53,782)
	382,591	68,712

Note: The borrowing costs have been capitalised at rates of 2.99% to 5.38% per annum (2005: 1.99% to 3.57%).

(b) Staff cost

	2006 *HK$'000*	2005 (Restated) *HK$'000*
Contributions to defined contribution retirement plan	8,798	7,041
Expenses recognised in respect of defined benefit retirement plans	9,986	–
Retirement costs	18,784	7,041
Equity settled share-based payment expenses	3,238	1,189
Salaries, wages and other benefits	790,591	144,917
	812,613	153,147

(c) Other items

	2006 *HK$'000*	2005 (Restated) *HK$'000*
Depreciation	163,978	12,194
Amortisation of Bass Strait oil and gas royalty	32,800	–
Operating lease charges		
– properties	8,503	6,785
– others	13,970	47
Amortisation of goodwill included in share of profits less losses of associates	–	13,399
Auditors' remuneration		
– audit services	5,987	2,992
– tax services	1,220	225
– other services	683	117
Donations	2,485	1,259
Recognition of negative goodwill	(289,067)	(219,567)
Amortisation of negative goodwill included in share of profits less losses of associates	–	(102,761)
Amortisation of negative goodwill	–	(69,163)
Gross rental income from investment properties	(47,150)	(58,632)
Less: direct outgoings	3,735	15,995
Net rental income	(43,415)	(42,637)
Share of profits less losses of associates:		
– listed	(336,512)	(372,800)
– unlisted	(191,800)	(70,072)
	(528,312)	(442,872)
Share of associates' taxation	31,107	91,780
Share of profit of a jointly controlled entity:		
– unlisted	(160,367)	(59,410)

6. TAXATION

Tax income/(expenses) in the consolidated income statement represents:

	2006 HK$'000	2005 (Restated) HK$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**(104,450)**	(39,870)
Over-provision in respect of prior years	**5,537**	23
	(98,913)	(39,847)
Current tax – Overseas		
Tax for the year	**(118,023)**	(129,380)
Over-provision in respect of prior years	**38,305**	5,782
	(79,718)	(123,598)
Deferred tax		
Over-provision in respect of prior years	**250,350**	–
Origination and reversal of temporary differences	**68,342**	8,681
Utilisation of deferred tax asset in relation to tax losses	**(163)**	–
	318,529	8,681
	139,898	(154,764)

The provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year ended 30 June 2006. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

7. DIVIDENDS

	2006 HK$'000	2005 HK$'000
2005: Final dividend paid of HK$3.00 per share (2004: HK$2.60 per share)	**978,268**	853,908
2006: Interim dividend paid of HK$1.00 per share (2005: HK$0.80 per share)	**325,836**	263,241
	1,304,104	1,117,149
2006: Proposed final dividend of HK$3.00 per share (2005: HK$3.00 per share)	**987,154**	987,154
2006: Proposed special dividend of HK$1.00 per share (2005: HK$ Nil per share)	**329,051**	–

The proposed final dividend and special dividend for the year ended 30 June 2006 of HK$987,154,000 (2005: HK$987,154,000) and HK$329,051,000 (2005: Nil) respectively are calculated based on 329,051,373 ordinary shares (2005: 329,051,373 ordinary shares) in issue as at 30 June 2006.

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$5,636,572,000 (2005 restated: HK$3,229,080,000) and the weighted average number of 327,317,936 ordinary shares (2005: 328,923,149 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$5,627,961,000 (2005 restated: HK$3,228,178,000) and the weighted average number of 327,317,936 ordinary shares (2005: 328,923,149 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

	2006 HK$'000	2005 HK$'000
Trade debtors	**1,436,414**	804,006
Deposits and prepayments	**618,001**	145,748
Derivative financial instruments, at fair value	**9,101**	12,886
Interest receivable	**99,954**	56,829
	2,163,470	1,019,469

Included in the trade and other receivables are amounts of HK$65.2 million (2005: HK$25.6 million) which are expected to be recovered after more than one year.

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

	2006 HK$'000	2005 HK$'000
Current	**1,365,534**	802,210
1 to 3 months overdue	**37,785**	140
More than 3 months overdue but less than 12 months overdue	**33,095**	1,656
	1,436,414	804,006

Trade and other receivables, which are denominated in a currency other than the functional currency of the entity, are mainly denominated in British pound, Hong Kong dollar, Singapore dollar, Malaysian Ringgit and Renminbi.

10. TRADE AND OTHER PAYABLES

	2006 HK$'000	2005 HK$'000
Trade creditors	**497,742**	271,538
Other payables and accrued operating expenses	**1,536,570**	588,333
Derivative financial instruments, at fair value	**25,850**	10,142
Amount due to a fellow subsidiary	**170,392**	102,847
Amounts due to associates	**217**	8
	2,230,771	972,868

Included in trade and other payables are amounts of HK$88.5 million (2005: HK$38.9 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:

	2006 HK$'000	2005 HK$'000
Due within 1 month or on demand	**451,135**	236,261
Due after 1 month but within 3 months	**12,114**	124
Due after 3 months but within 6 months	**497**	22,966
Over 6 months	**33,996**	12,187
	497,742	271,538

Trade and other payables, which are denominated in a currency other than the functional currency of the entity, are mainly denominated in British pound, Hong Kong dollar, Singapore dollar, Malaysian Ringgit and Renminbi.

11. HONG KONG DOLLAR AMOUNTS

The audited 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 audited consolidated financial statements, which are translated at the rates ruling at the respective financial year ends for presentation purposes only (2006: US$1 = HK$7.7652, 2005: US$1 = HK$7.772).

DIVIDENDS

The Directors will recommend to the shareholders for approval at the forthcoming annual general meeting a final dividend of HK$3.00 per share and a special dividend of HK$1.00 per share, totalling HK$1,316 million payable for the financial year ended 30 June 2006. These, together with the interim dividend of HK$1.00 per share paid on 6 March 2006, will amount to a total dividend of HK$5.00 per share for the full year, totalling HK$1,645 million (2005: HK$3.80 per share, totalling HK$1,250 million). Subject to shareholders' approval, the final dividend and special dividend will be payable on 23 October 2006 to the shareholders whose names appear on the Register of Members of the Company on 16 October 2006.

REVIEW OF OPERATIONS

Financial Results

The consolidated profit attributable to shareholders for the year ended 30 June 2006, after taxation and minority interests amounted to HK$5,637 million, representing an increase of 74.6% over that of last year. Earnings per share rose 75.4% to HK$17.22.

The major profit contributions (before finance cost and taxation) arose from the following:

– total realised and unrealised gains on investments of HK$4,038 million;

– total interest income of HK$796 million;

– dividend income of HK$252 million;

– property development and investment income of HK$182 million;

– revaluation gains on properties of HK$304 million; and

– contributions from associates and jointly controlled entity of HK$689 million.

Overall turnover increased by HK$29.1 billion or 197% to HK$44.0 billion, mainly attributable to the increase of HK$28.0 billion in turnover from Proprietary Asset Management and the first-time consolidation of turnover for hotel operations of HK$1.9 billion since the acquisition of BIL in October 2005.

Proprietary Asset Management

Global financial markets recorded another year of solid performance, underpinned by continued economic and earnings growth. While interest rates were on the rise, the pace was gradual and liquidity remained abundant. Taking advantage of this favourable environment, our investment teams actively pursued investment activities in selected equity markets. We were particularly attracted by the economic recovery and corporate restructuring opportunities in Japan after its multi-year downturn. A decision was then taken to invest in this market which had proven to be rewarding. While we remained a believer in the long-term potential of this market, we realised profits from most of our positions to benefit from their stellar performance amidst rising market uncertainty from the likelihood of rising interest rate later in the year. This turned out to be a timely move as Nikkei index recorded a double digits correction as at our financial year end from its recent peak in April 2006.

Besides Japan, our investment teams were also active in other major markets. To capture the growth potential in China, we invested in a number of listed PRC companies. Within ASEAN, our investment teams concentrated on stock picking using our expertise and in-depth knowledge in this region. In the US and Europe, our focus was mainly in stocks that were trading at attractive valuations.

In supporting our expanding activities, more resources have been added including manpower for treasury and equity management. The development of our new management information system is making good progress and has been partially rolled out in phases. Its full implementation in coming months will provide further support to our investment activities via enhanced reporting in a more timely and efficient manner.

Macroeconomic conditions have become more uncertain. Rising oil prices, geopolitical tensions as well as continued rate hikes will together pose many challenges to the financial markets. We have responded by taking a more defensive stance in our portfolio and accordingly we have revised downwards our exposure to equity markets.

Property Development and Investment

GuocoLand Limited ("GLL") – 63.9% controlled by Guoco

For the financial year ended 30 June 2006, the GLL Group reported a net profit of S$155.6 million compared to S$82.7 million in the previous corresponding year. The GLL Group's net asset value per ordinary share increased from S$1.67 as at 30 June 2005 to S$1.83 as at 30 June 2006.

The GLL Group's revenue decreased by 14% to S$361.3 million for the financial year ended 30 June 2006. The decrease was mainly due to lower revenue from Central Park in Shanghai as a significant portion had already been recognised in the previous year. This decrease in revenue was partially offset by the revenue recognised from the sale of property development projects in Singapore and from the sale of the remaining area in Corporate Square in Beijing. For the financial year ended 30 June 2006, 65% of the revenue was from Singapore and the balance from China.

The GLL Group's cost of sales decreased by 8% to S$318.8 million for the financial year ended 30 June 2006. The decrease was mainly due to lower cost of sales from Central Park in Shanghai and a writeback of provision for foreseeable losses on the GLL Group's residential projects in Singapore, in particular from Paterson Residence, and from Corporate Square. This decrease in cost of sales was partially offset by the cost of sales recognised from the sale of property development projects in Singapore and from Corporate Square. The GLL Group's gross profit decreased by 42% to S$42.6 million as a significant portion of Central Park's profit had already been recognised in the previous year.

Other operating income increased from S$46.5 million to S$146.9 million mainly due to the profit of S$40.1 million arising from the sale of the GLL Group's long-term investment in Hotel Properties Limited, a total gain of S$32.0 million arising from the revaluation of the GLL Group's investment properties and negative goodwill of S$32.0 million arising from the acquisition of additional interest in GuocoLand Malaysia Berhad ("GLM").

Finance costs increased by 70% to S$22.8 million due to increase in bank borrowings to finance the GLL Group's land acquisitions in China during the financial year.

The contribution from the GLL Group's associates to profit after tax decreased by 13% to S$13.6 million due to lower profit contribution from GLM which became a subsidiary during the financial year, but offset by higher profit contribution from the GLL Group's 40% associates, Razgrad Pte Ltd (which owns The Ladyhill) and Crawforn Pte Ltd (which owns The Boulevard Residence).

The GLL Group currently has ten launched developments on the market in Singapore: Sanctuary Green, The Gardens at Bishan, Bishan Point, Le Crescendo, Leonie Studio, Paterson Residence, The Stellar, The Quartz, The Ladyhill and The Boulevard Residence.

In April 2006, the GLL Group entered into a conditional collective sale and purchase agreement to acquire the freehold Casa Rosita condominium at the Newton/Scotts area with the intention of redeveloping the site. This acquisition will upon completion, add a saleable area of approximately 46,000 square metres (494,000 square feet) to the GLL Group's existing landbank.

In June 2006, the GLL Group entered into a sale and purchase agreement to sell its investment property, Robinson Centre for a consideration of S$145.0 million. The sale has resulted in a revaluation gain of S$17.0 million for the financial year. The sale was completed on 31 July 2006. On completion, there will be no further gain recognised in the financial year ending 30 June 2007 as the investment property was valued at the net selling price on 30 June 2006.

In Beijing, the GLL Group sold the remaining area in Corporate Square for a consideration of approximately US$48.6 million (S$79.8 million) during the financial year. In July 2006, the GLL Group soft launched West End Point, an 814-unit development located within the Second Ring Road in Feng Sheng, Xicheng District in Beijing upon obtaining the sale permits.

Resettlement in three development sites in the Xuanwu District of Nanjing, in the Putuo District of Shanghai and in the Qixia District of Nanjing is currently in progress. The GLL Group's landbank in China, in terms of saleable area, is approximately 978,000 square metres (10.5 million square feet).

In December 2005, the GLL Group entered into a conditional agreement with Vietnam Singapore Industrial Park JV Co. Ltd. to acquire a land parcel of approximately 174,935 square metres forming part of the Vietnam Singapore Industrial Park in Binh Duong Province. This site can be developed into an integrated residential, office, commercial cum hotel development.

In April 2006, the GLL Group launched a successful mandatory general offer on GLM at RM0.78 per share. Together with market purchases, the GLL Group's shareholding in GLM has increased to 64.5% as at 24 August 2006. GLM is now a subsidiary of the GLL Group.

In view of the strong economic growth of 9.4% for Singapore in the first half of 2006, the official GDP growth forecast for 2006 for Singapore has been revised upwards from its previous forecast of between 5% to 7% to between 6.5% to 7.5%. The latest official statistics indicate that the residential property market is recovering with prices of private residential properties posting a 1.8% gain in the second quarter of 2006, compared with the 1.5% increase in the previous quarter. Strong economic growth and the positive sentiment for the residential property market should translate into stable demand for private homes. The GLL Group intends to launch The View @ Meyer, a 45-unit development, in the second half of 2006.

In China, new regulations on the restriction of foreign investment in real estate were recently introduced as part of the government's overall measures to cool the fast-growing economy. Despite these new measures, the GLL Group is of the view that domestic demand for quality residential housing in China will remain satisfactory because of China's strong economic growth and rapid urbanisation. The GLL Group has focused and positioned its development properties to meet domestic demand with its landbank in key cities of Beijing, Shanghai and Nanjing.

In Malaysia, the economy is expected to expand 6% in 2006, compared to 5.2% in the previous year. The huge expenditure under the 9th Malaysian Plan to revitalise private sector investment and build infrastructure projects, coupled with a young demographic profile will help to sustain demand for quality residential housing in the short and medium term. The GLL Group stands to benefit from this demand through its 64.5% shareholding in GLM.

Hospitality and Leisure Business

BIL International Limited ("BIL") – 50.9% controlled by Guoco

The Group's conditional mandatory general offer on BIL was successful, resulting in the acquisition of a controlling interest in BIL. The Group consolidated the results of BIL from the date of its acquisition in October 2005.

BIL recorded a profit of US$38.9 million for the full year ended 30 June 2006 compared to a profit of US$86.9 million for the previous year. It is difficult to compare the profitability year on year as both years contained a number of one-off events that had skewed profitability. Included in last year's results was a profit of US$52.7 million from the sale and leaseback of 6 Thistle hotels in April 2005.

The net profit for the year ended 30 June 2006 included the release of tax provisions of US$56.5 million. On the other hand, the operating results for the Thistle Hotel Group had been affected by the London bombings in July 2005, higher operating costs due to higher energy costs and distribution costs as well as continued internal restructuring. The sale and leaseback transaction last year had also resulted in additional lease costs of US$19.0 million for the year under review.

During the financial year a number of major projects in Fiji had commenced. However, revenue for the property development segment had declined for the year under review due to the timing of project settlements.

The oil and gas segment showed improvement year on year due to oil price and foreign exchange movements.

In February 2006, the Gambling Commission of Great Britain ("Gambling Commission") approved BIL Gaming Operations UK Ltd ("BIL Gaming"), a wholly-owned subsidiary of BIL, to be a licensed operator of casinos under The Gaming Act 1968. Additionally, the Gambling Commission has granted Certificates of Consent ("COC") for 16 specific casino license applications. These applications are now going through planning approvals and licensing with the local magistrates. In April 2006, a further 14 COCs applications were made.

On 25 August 2006, BIL announced that it had signed a sale and purchase agreement for the acquisition of the Clermont Club casino business in London from Rank Group Plc for an all cash consideration of £31 million. Along with Clermont, BIL intends to expand progressively our casino operations in United Kingdom.

Camerlin Group Berhad ("CGB") – 69.1% controlled by Guoco

CGB recorded a pre-tax profit of RM45.31 million for the financial period from 1 January 2005 to 30 June 2006. The profit was mainly due to its share of profits of RM47.88 million from BIL International Limited ("BIL"), of which CGB holds 22.3% interests.

Financial Services

Hong Leong Financial Group Berhad ("HLFG", formerly known as Hong Leong Credit Berhad) – 25.7% owned by Guoco

The HLFG Group achieved profit before tax of RM859.3 million for the full year ended 30 June 2006 as compared to RM800.7 million in the previous year, an increase of RM58.6 million or 7.3%. This was mainly due to higher profits from the banking division and the stockbroking and asset management division.

The banking division recorded a profit before tax of RM764.2 million, an increase of RM50.8 million as compared to RM713.4 million in the previous financial year. Net interest income grew by RM40.1 million, while income from Islamic operations and non-interest income also grew by RM15.6 million and RM119.7 million respectively. However, loan loss provision increased by RM83.0 million due to higher specific provision made during the year.

The insurance division registered a profit before tax of RM91.9 million for the financial year ended 30 June 2006 as compared to RM96.8 million for the previous financial year. The decrease of RM4.9 million was mainly contributed by lower underwriting profit as a result of higher claims incurred during the financial year.

The stockbroking and asset management division registered a profit before tax of RM27.8 million compared to RM16.9 million in the previous financial year, an increase of RM10.9 million. The higher profit before tax for the current financial year was mainly attributable to the profit from the disposal of shares of Bursa Malaysia Berhad which resulted in a realised gain of RM7.9 million.

Financial Commentary

Capital and Finance

– The Group's consolidated total equity (including minority interests) as at 30 June 2006 amounted to HK$44.4 billion, an increase of 26% comparing to the total equity as at 30 June 2005.

– The Group's consolidated total equity attributable to shareholders of the Company as at 30 June 2006 amounted to HK$36.9 billion, an increase of HK$4.3 billion comparing to the figure as at 30 June 2005.

Total Cash and Liquid Funds

As at 30 June 2006, the Group has net liquid funds of HK$20.9 billion, comprising total cash balance of HK$26.6 billion and marketable securities of HK$4.0 billion and after netting off the total borrowings of HK$9.7 billion.

Total Borrowings

The increase in total borrowings from HK$3.8 billion as at 30 June 2005 was primarily due to consolidating the borrowings of BIL. The Group's total borrowings are mainly denominated in Singapore dollar (41%), British Pound (40%) and US dollar (16%).

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

	Bank loans HK$'M	Mortgage debenture stock HK$'M	Other borrowings HK$'M	Total HK$'M
On demand or within 1 year	1,123	–	809	1,932
After 1 year but within 2 years	454	–	11	465
After 2 years but within 5 years	2,450	–	1,003	3,453
After 5 years	16	3,868	–	3,884
	2,920	3,868	1,014	7,802
	4,043	3,868	1,823	9,734

The loans are secured by the following:

– legal mortgages on investment properties with an aggregate book value of HK$226 million;

– legal mortgages on development properties with an aggregate book value of HK$2,855 million;

– legal mortgages on property, plant and equipment with an aggregate book value of HK$7,491 million; and

– legal mortgages on assets held for sale with aggregate carrying value of HK$685 million.

Committed borrowing facilities available to Group companies and not yet drawn as at 30 June 2006 amounted to approximately HK$2,231 million.

Interest Rate Exposure

As at 30 June 2006, approximately 42% of the Group's borrowings were at floating rates and the remaining 58% were at fixed rates. 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. When considered appropriate, the Group may use interest rate swap contracts to manage the interest rate exposure.

Foreign Currency Exposure

The Group may, from time to time, enter into foreign exchange rate related contracts for the purpose of hedging the foreign currency exposures. The Group may also raise foreign currency loans to hedge our foreign currency investments.

Contingent Liabilities

A subsidiary of the Group, BIL, had contingent liabilities of approximately HK$69 million (2005: Nil) in relation to the guarantees of investment performance. In addition, BIL has given a guarantee to the owner of the 28 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$465 million (2005: Nil) per calendar year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability on any one year under the guarantee was HK$465 million (2005: Nil) and the maximum aggregate liability under the guarantee was approximately HK$931 million (2005: Nil). BIL's expectation is that the future annual EBITDA will be in excess of the guaranteed amount.

Human Resources and Training

With the acquisitions of BIL and GLM groups during the year, the total number of employees of the Group, including its subsidiaries in Hong Kong and overseas, increased substantially to approximately 2,700 as at 30 June 2006. 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

Changing macroeconomic conditions and geopolitical situations continue to pose new challenges to investors. Sentiment had swung from optimism to pessimism towards the close of our financial year in June 2006 and investors were uncertain as to whether we were just facing a correction within a bull market, or in fact confronting the beginning of a cyclical downturn following a global multi-year bull market. With interest rates rising in the US and Europe and about to start rising in Japan then, the investment environment became uncertain and volatility in the coming year is likely to stay high.

On balance, we reckon the coming year to be challenging but not without its windows of opportunities even though we are now at the higher end of market valuation with increased volatilities. Under the circumstance, we will remain nimble and continue to work diligently on areas and products that we know well bearing in mind always the longer term objective of creating capital value for shareholders.

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

During the year, a wholly owned subsidiary of the Company, as the trustee for a trust (the "Trust") set up for the purpose of acquiring existing shares of the Company to satisfy the exercise of options which may be granted under the share option plan adopted by the Company on 16 December 2002, purchased an aggregate of 3,006,862 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of HK$239,813,000. And, a subsidiary of the Company disposed of 2,261,862 shares of the Company on the Stock Exchange at a total consideration of HK$176,799,000.

Save as above, during the year the Company had not redeemed any of its listed securities and neither the Company nor any of its other subsidiaries purchased or sold any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES ("CGP CODE")

The Company had complied throughout the year with the CGP Code adopted by the Company based on the principles set out in Appendix 14 to the Listing Rules, save the following:

– the 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 meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code; and

– pursuant to the Bye-Laws of the Company, the directors of the Company (save those holding the office as Chairman, President or Managing Director) are subject to retirement by rotation. According to the Private Act of the Company enacted in 1990 (the "Act"), directors holding the office of executive chairman or managing director shall not be subject to retirement by rotation. As the Company is bound by the provisions of the Act, the Bye-Laws of the Company cannot be amended to align with the relevant provision of the CGP Code in this respect. However, in order for the Company to comply with the CGP Code, the Executive Chairman and the President of the Company have confirmed that they will voluntarily retire by rotation from their office at future annual general meetings of the Company at such frequency as necessary, provided that being eligible for re-election, they may offer themselves for re-election at the relevant general meetings.

REVIEW BY BOARD AUDIT COMMITTEE ("BAC")

The BAC has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the audited annual results of the Company for the year ended 30 June 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 October 2006 to 16 October 2006, both days inclusive, during which period no share transfers will be registered.

To qualify for the final and special dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:00 p.m. on 10 October 2006.

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. Harry Richard Wilkinson and Mr. Volker Stoeckel as independent non-executive directors.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 15 September 2006