國浩集團有限公司
Guoco Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00053)

2005/2006 INTERIM ANNOUNCEMENT

RESULTS

The Board of Directors of Guoco Group Limited ("the Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2005 together with the comparative figures for the corresponding period last year as follows:

Consolidated Income Statement

	Note	**Six months ended 31 December 2005 (Unaudited)**	Six months ended 31 December 2004 (Unaudited) *(Restated)*	**Change**
	Note	***HKD'000***	*HKD'000*	%
Turnover	2 & 3	**6,178,895**	5,001,474	**23.5**
Cost of sales		**(5,026,691)**	(4,181,982)	
Other attributable costs		**(31,498)**	(73,390)	
		1,120,706	746,102	
Other revenue		**69,865**	21,457	
Other net income	4	**2,859,516**	933,876	
Administrative and other operating expenses		**(481,536)**	(87,765)	
Profit from operations before finance cost	2	**3,568,551**	1,613,670	
Finance cost		**(136,792)**	(31,704)	
Profit from operations	2	**3,431,759**	1,581,966	**116.9**
Impairment loss write back on properties		**107,745**	5,745	
Provision write back on investment		**57,839**	—	
Net profit on disposal of investment properties		**—**	8,567	
Share of profits less losses of associates		**252,106**	157,742	
Share of profits of a jointly controlled entity		**160,319**	—	
Profit before taxation	5	**4,009,768**	1,754,020	
Taxation	6	**(83,900)**	(94,272)	
Profit for the period		**3,925,868**	1,659,748	**136.5**

	Note	**Six months ended 31 December 2005 (Unaudited)** *HKD'000*	Six months ended 31 December 2004 (Unaudited) *(Restated)* *HKD'000*	**Change** %
Attributable to:				
Shareholders of the Company		**3,752,166**	1,562,732	**140.1**
Minority interests		**173,702**	97,016	
Profit for the period		**3,925,868**	1,659,748	
Earnings per share		*HK$*	*HK$*	
Basic	8	**11.43**	4.75	**140.6**
Diluted	8	**11.42**	4.75	**140.4**
		HK$'000	*HK$'000*	
Proposed interim dividend	7	**329,051**	263,241	

Consolidated Balance Sheet

	At 31 December 2005 (Unaudited)	At 30 June 2005 (Audited) *(Restated)*
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Fixed assets		
- Investment properties	**1,715,151**	1,699,581
- Other property, plant and equipment	**4,219,541**	11,642
Interest in leasehold land held for own use under operating lease	**5,756,315**	77,052
Bass Strait oil and gas royalty	**927,697**	—
Interest in associates	**2,615,368**	4,301,196
Interest in jointly controlled entities	**—**	98,324
Available-for-sale financial assets	**736,021**	545,470
Deferred tax assets	**8,049**	9,381
Goodwill	**4,738**	(61,150)
	15,982,880	6,681,496
CURRENT ASSETS		
Development properties	**6,118,963**	3,201,543
Properties held for sale	**654,796**	1,158,331
Other assets	**1,034,216**	1,019,469
Financial assets measured at fair value through profit and loss	**26,847,343**	4,714,254
Inventories	**5,172**	—
Cash and short term funds	**11,922,749**	23,569,453
	46,583,239	33,663,050
CURRENT LIABILITIES		
Other payables and provision	**1,366,042**	972,868
Current portion of bank loans and other borrowings	**11,793,169**	1,151,189
Taxation	**333,469**	245,673
	13,492,680	2,369,730
Net current assets	**33,090,559**	31,293,320
TOTAL ASSETS LESS CURRENT LIABILITIES	**49,073,439**	37,974,816

	At 31 December 2005 (Unaudited) HK$'000	At 30 June 2005 (Audited) (Restated) HK$'000
NON-CURRENT LIABILITIES		
Non-current portion of bank loans and other borrowings	**5,771,405**	2,678,534
Provisions	**213,668**	—
Deferred tax liabilities	**1,269,998**	44,588
Irredeemable convertible unsecured loan stocks	**63,321**	63,249
	7,318,392	2,786,371
NET ASSETS	**41,755,047**	35,188,445
CAPITAL AND RESERVES		
Share capital	**1,275,768**	1,278,696
Reserves	**34,130,265**	31,332,755
Equity attributable to shareholders of the Company	**35,406,033**	32,611,451
Minority interests	**6,349,014**	2,576,994
TOTAL EQUITY	**41,755,047**	35,188,445

1. **Accounting policies and basis of preparation**

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004/05 annual financial statements, except for the accounting policy changes that will also be reflected in the 2005/06 annual financial statements, details of which are set out below.

Change in accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 30 June 2006, on the basis of HKFRSs currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 July 2005 which have been reflected in this interim financial report. The effect, where material, of these changes on the profit and loss, earnings per share, the opening balance of equities and various balance sheet items is summarized below:

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

With effect from 1 July 2005, in order to comply with HKFRS 2, the Group recognizes 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 recognized 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 recognizes the fair value of the options granted over the vesting period. Otherwise, the Group recognizes 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.

(b) *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 are stated in the balance sheet at their open market value. An internal valuation is done annually and an independent professional valuation is made at least once every three years. The net surplus or deficit on revaluation is taken to the investment property revaluation reserve except when the total of the reserve is not sufficient to cover a deficit on an aggregate basis, in which case the amount by which the deficit exceeds the amount in the investment property revaluation reserve is charged to the income statement. No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes 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 is transferred to the income statement for the year.

Upon adoption of HKAS 40 as from 1 July 2005, all changes in the fair value of investment properties are recognized 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. These changes have no significant impact on the Group's results and equity for the period ended 31 December 2004 and 31 December 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 recognized 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 recognized 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.

(c) *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 as 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 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 amortized on a straight-line basis over its unexpired lease term.

The new accounting policy has been applied retrospectively, which has resulted in reclassification of certain leasehold interest in land previously included in "fixed assets" as "interest in leasehold land held for own use under operating lease" with the comparative restated to conform to the current period's presentation. This change has no significant impact on the Group's results and equity.

(d) *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 recognized in the income statement;

- the accounting for derivative financial instruments is dependent upon whether the transactions are undertaken for dealing purposes or to hedge risk. Derivative financial instruments entered for dealing purposes are marked to market and the net present value of the gain or loss arising is recognized in the income statement as dealing profits or losses. Those designated as hedges are valued on an equivalent basis to the assets, liabilities or net positions which they are hedging. Any profit or loss is recognized 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 recognized 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. Any subsequent increase in the fair value of available-for-sale financial assets is recognized directly in equity.

All derivative financial instruments entered into by the Group are stated at fair value. Changes in the fair value of derivatives held as hedging instruments in a cash flow hedge of committed future transactions are recognized in equity to the extent that the hedge is effective. Any ineffective portion of the changes in fair value of the derivatives is recognized in the income statement.

These changes were adopted by way of an adjustment to the opening balance of retained profits as at 1 July 2005. Comparative amounts have not been restated nor has the opening balance of the investment revaluation reserve been restated as this is prohibited by the transitional arrangements in HKAS 39.

(e) *Amortization of 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 is amortized to the consolidated income statement on a straight-line basis over its estimated useful life and is stated in the consolidated balance sheet at cost less any accumulated amortization and any impairment losses. Negative goodwill is recognized as a deferred item and is released to the income statement on a proportional basis.

The Group has adopted the HKFRS 3 package in 2004/05 annual financial statement for business combinations with the agreement dates on or after 1 January 2005. Accordingly, the Group no longer amortizes positive goodwill. 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 recognized 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 recognized 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 amortization as at 1 July 2005 has been offset against the cost of the positive goodwill. The carrying amount of negative goodwill has been derecognized to the opening balance of retained profits as at 1 July 2005. No amortization charge for positive and negative goodwill has been recognized in the income statement for the six months ended 31 December 2005.

(f) *Re-translation of goodwill relating to a net investment in a foreign operation (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 retranslated 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.

(g) *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 is recognized 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 is made in the year in which such loss is determined.

With the introduction of the HK Interpretation 3 "Revenue-Pre-completion contracts for the sale of development properties" issued by the HKICPA, the Group now recognizes 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 above Interpretation such that the Group will continue to adopt the stage of completion method to recognize 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.

(h) *Presentation changes (HKAS 1, Presentation of financial statements)*

(i) 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 of the Company.

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 shareholders of the Company and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period 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) In prior years, share of associates/jointly controlled entities' tax was presented as a component of taxation in the income statement. On adoption of the HKAS 1, share of associates/jointly controlled entities' tax are presented net of the share of associates/jointly controlled entities' profit.

(i) *Effects of the changes in accounting polices*

The effect of these changes on the profit attributable to shareholders of the Company, the various balance sheet items, the opening balances of equities and earnings per share are summarized below:

2005/2006 interim period	**HKFRS 2** *HK$'000*	**HKAS 17** *HK$'000*	**HKAS 32 & HKAS 39** *HK$'000*	**HKFRS 3, HKAS 36 & HKAS 38** *HK$'000*	**HKAS 18 & HK - INT 3** *HK$'000*	**Total** *HK$'000*
For the six months ended 31 December 2005						
Decrease in turnover	—	—	—	—	(218,971)	(218,971)
(Increase)/decrease in cost of sales	(868)	—	—	—	203,796	202,928
Increase in administrative and other operating expenses	(737)	—	—	(28,000)	—	(28,737)
Decrease in taxation	—	—	—	—	3,288	3,288
Decrease in share of profits less losses of associates	—	—	—	(46,642)	(1,365)	(48,007)
Decrease in profit attributable to minority interests	768	—	—	19,246	4,784	24,798
Decrease in profit attributable to shareholders of the Company	(837)	—	—	(55,396)	(8,468)	(64,701)
Decrease in basic/diluted earnings per share, HK$ cents	(0.23)	—	—	(16.90)	(2.56)	(19.69)

2005/2006 interim period	HKFRS 2 *HK$'000*	HKAS 17 *HK$'000*	HKAS 32 & HKAS 39 *HK$'000*	HKFRS 3, HKAS 36 & HKAS 38 *HK$'000*	HKAS 18 & HK - INT 3 *HK$'000*	Total *HK$'000*
As at 1 July 2005						
Decrease in fixed assets	—	(76,875)	—	—	—	(76,875)
Increase in interests in leasehold land held for own use under operating lease	—	76,875	—	—	—	76,875
Decrease in other non-current financial assets	—	—	(544,221)	—	—	(544,221)
Decrease in other investments in securities	—	—	(4,703,457)	—	—	(4,703,457)
Increase in available-for-sale financial assets	—	—	642,691	—	—	642,691
Increase in financial assets measured at fair value through profit and loss	—	—	4,703,457	—	—	4,703,457
Increase in interest in associates	—	—	—	196,189	—	196,189
Decrease in negative goodwill	—	—	—	61,010	—	61,010
Increase in net assets	—	—	98,470	257,199	—	355,669
(Decrease)/increase in retained profits	(1,202)	—	61,871	245,373	—	306,042
Increase in share option reserve	1,202	—	—	—	—	1,202
Decrease in capital reserve	—	—	—	(132,008)	—	(132,008)
Increase in equity attributable to shareholders of the Company	—	—	61,871	113,365	—	175,236
Increase in minority interests	—	—	36,599	143,834	—	180,433

	HKFRS 2 *HK$'000*	HKAS 17 *HK$'000*	HKAS 32 & HKAS 39 *HK$'000*	HKFRS 3, HKAS 36 & HKAS 38 *HK$'000*	HKAS 18 & HK - INT 3 *HK$'000*	Total *HK$'000*
2004/2005 interim period						
For the six months ended 31 December 2004						
Increase in cost of sales	(280)	—	—	—	—	(280)
Increase in administrative and other operating expenses	(85)	—	—	—	—	(85)
Decrease in profit attributable to minority interests	132	—	—	—	—	132
Decrease in profit attributable to shareholders of the Company	(233)	—	—	—	—	(233)
As at 1 July 2004						
Decrease in fixed assets	—	(107,605)	—	—	—	(107,605)
Increase in interest in leasehold land held for own use under operating lease	—	107,605	—	—	—	107,605
Increase/ (decrease) in net assets	—	—	—	—	—	—

2. **Segment information**

Business Segments (Unaudited)

	Treasury and investment management	Property development	Property investment	Securities, commodities and brokerage	Insurance	Hotel operations	Oil and gas	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 31 December 2005									
Turnover	4,671,587	793,045	43,579	30,427	—	640,257	—	—	6,178,895
Inter-segment turnover	523,478	—	1,838	667	—	—	—	(525,983)	—
	5,195,065	793,045	45,417	31,094	—	640,257	—	(525,983)	6,178,895
Contribution from operations	3,378,458	7,855	19,572	15,532	—	89,243	23,177	—	3,533,837
Unallocated income									150,772
Unallocated expenses									(116,058)
Profit from operations before finance cost									3,568,551
For the six months ended 31 December 2004 *(Restated)*									
Turnover	3,946,947	957,005	29,395	21,652	46,475	—	—	—	5,001,474
Inter-segment turnover	52,547	—	1,905	816	—	—	—	(55,268)	—
	3,999,494	957,005	31,300	22,468	46,475	—	—	(55,268)	5,001,474
Contribution from operations	1,424,791	172,825	20,462	3,281	1,687	—	—	—	1,623,046
Unallocated income									42,650
Unallocated expenses									(52,026)
Profit from operations before finance cost									1,613,670

Geographical Segments (Unaudited)

	Turnover		**Profit from operations**	
	Six months ended 31 December		**Six months ended 31 December**	
	2005	2004 *(Restated)*	**2005**	2004 *(Restated)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**4,491,975**	4,000,745	**3,134,348**	1,305,936
Singapore	**518,578**	449,827	**48,293**	97,196
The People's Republic of China	**509,389**	549,394	**42,749**	170,508
UK	**640,257**	46	**12,864**	303
USA	**18,618**	—	**(2,629)**	—
Asia (excluding HK, Singapore & PRC)	**78**	1,462	**196,134**	8,023
	6,178,895	5,001,474	**3,431,759**	1,581,966

3. **Turnover**

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Proceeds from sale of investments in securities	**4,259,195**	3,641,296
Income from sale of properties	**793,045**	957,005
Interest income	**303,290**	233,978
Revenue from hotel operations	**640,257**	—
Dividend income	**116,538**	75,101
Gross insurance premiums	**—**	45,799
Rental income from properties	**42,454**	28,221
Securities commission and brokerage	**21,169**	18,931
Other income	**2,947**	1,143
	6,178,895	5,001,474

4. **Other net income**

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Net unrealized gains on financial assets measured at fair value through profit and loss	**2,815,348**	641,815
Net exchange gains	**39,492**	292,053
Net profit on disposal of fixed assets	**504**	8
Others	**4,172**	—
	2,859,516	933,876

5. **Profit before taxation**

Profit before taxation is arrived at

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
after charging:		
Staff costs (including retirement scheme contributions of HK$6,762,000 (2004: HK$3,934,000))	**298,482**	63,540
Depreciation	**54,900**	7,487
Amortisation of oil and gas royalty	**10,887**	—
Operating lease charges		
— properties	**3,009**	3,141
— others	**3,303**	23
Auditors' remuneration	**2,187**	1,197
Donations	**318**	140
Share of associates' taxation	**—**	39,323
and crediting:		
Amortization of negative goodwill	**—**	34,386
Amortization of negative goodwill included in share of profits less losses of associates	**—**	44,773
Provision write back on investment	**57,839**	—
Recognition of negative goodwill	**125,207**	—
Impairment loss write back on properties	**107,745**	5,745
Share of associates' taxation	**23,030**	—
Gross rental income from investment properties	**28,256**	28,221
Less: direct outgoings	**(9,305)**	(8,723)
Net rental income	**18,951**	19,498
Share of profits less losses of associates:		
— Listed	**190,832**	136,362
— Unlisted	**61,274**	21,380
	252,106	157,742
Share of profits of a jointly controlled entity:		
— Unlisted	**160,319**	—

6. **Taxation**

Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**55,062**	28,983
Overseas taxation	**51,930**	68,391
Deferred taxation	**(23,092)**	(3,102)
	83,900	94,272

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 17.5% (2004: 17.5%) to the profits for the six months ended 31 December 2005. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable to the relevant countries.

7. **Dividends**

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
2005: Final dividend paid of HK$3.00 per share (2004: HK$2.60 per share)	**976,882**	853,908
2006: Proposed interim dividend of HK$1.00 per share (2005: HK$0.80 per share)	**329,051**	263,241

The proposed interim dividend for the year ending 30 June 2006 of HK$329,051,000 is calculated based on 329,051,373 ordinary shares (2004: 329,051,373 ordinary shares) in issue as at 31 December 2005.

8. **Earnings per share**

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$3,752,166,000 (2004: HK$1,562,732,000 as restated) and the weighted average number of 328,194,902 ordinary shares (2004: 329,051,373 ordinary shares) in issue during the period.

(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$3,748,124,000 (2004: HK$1,562,717,000 as restated) and the weighted average number of 328,194,902 ordinary shares (2004: 329,051,373 ordinary shares) in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

9. **Hong Kong dollar amounts**

The financial statements of the Company are maintained in United States dollars. The accounting figures shown above have been translated from United States dollars into Hong Kong dollar equivalent at the rate ruling at the respective financial period ends for presentation purposes only (2005: US$1 = HK$7.7542, 2004: US$1 = HK$7.7744).

10. **Review by Board Audit Committee**

The unaudited interim results for the six months ended 31 December 2005 have been reviewed with no disagreement by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

FINANCIAL RESULTS

The unaudited consolidated profit attributable to shareholders of the Company for the six months ended 31 December 2005 is HK$3,752.2 million, which represents an increase of approximately 140.1% over the corresponding period last year. Basic earnings per share increased by approximately 140.6% to HK$11.43.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$1.00 per share amounting to approximately HK$329.1 million (2004/2005 interim dividend: HK$0.80 per share amounting to approximately HK$263.2 million) for the financial year ending 30 June 2006 which will be payable on 6 March 2006 to the shareholders whose names appear on the Register of Members on 3 March 2006.

REVIEW OF OPERATIONS

Corporate Event

Mandatory Cash Offer for BIL International Limited ("BIL")

Consequent to the acquisition of additional interests in BIL by the Group in July 2005, the Group was required under the Singapore Code on Takeover and Mergers to make a conditional mandatory general offer on BIL. The price for the mandatory cash offer was revised from S$1.20 per share to S$1.25 per share. The offer was successful with the Group acquiring a controlling interest of 50.5% in BIL.

Treasury, Fund and Investment Management

Our treasury and investment teams have continued to perform well for the period. Supported by a resilient world economy, abundant liquidity and strong earnings growth, global equity markets continued to exhibit an upward trend in the past few months. The Group has increased its equity exposures given a more positive assessment on markets and was able to capitalize on these market trends with favourable results. We maintain active currency management as part of our investment risk control to contain currency exposure.

The Group's treasury and investment management operations contributed approximately HK$3,378.5 million to the operating profit before finance cost for the period under review. The major contributions to the operating profit arose from the following:

- realised and unrealised gains on investments of HK$3,147.1 million;

- total interest income of HK$303.3 million; and

- dividend income of HK$116.5 million.

The decision to increase our equity exposures has generated creditable gains. However, this would subject our earnings to greater volatility in specific periodic reporting due to mark-to-market/fair value accounting practices.

To cope with our expanding investment activities, more resources have been devoted to provide a better infrastructure, such as installing a new portfolio management system which will enhance our investment management capabilities. At the same time, we continue to recruit portfolio managers to deepen the talent pool as well as young professionals for the longer-term development of the investment team.

GuocoLand Limited ("GLL") — 63.9% subsidiary

For the half year ended 31 December 2005, the GLL Group reported a profit of S$44.1 million compared to S$42.3 million in the previous corresponding period.

The GLL Group's revenue increased by 5% to S$224.5 million for the half year ended 31 December 2005. The increase was mainly due to higher revenue recognised from the GLL Group's property development projects in Singapore and from Corporate Square in Beijing offset by lower revenue from Central Park in Shanghai. For the half year ended 31 December 2005, 52% of the revenue was from Singapore and the balance from China.

The GLL Group's cost of sales increased by 11% to S$193.5 million for the half year ended 31 December 2005. The increase was mainly due to higher cost of sales recognised from the GLL Group's property development projects in Singapore and from Corporate Square. The increase was offset by lower cost of sales from Central Park and a higher writeback of allowance for foreseeable losses on the GLL Group's residential properties in Singapore and China, in particular from Paterson Residence in Singapore. Paterson Residence was launched in December 2005 and received favourable response with 54% sold as at 31 December 2005.

The profit after tax contribution from the GLL Group's associates increased by 42% to S$7.4 million due to 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's net asset value per ordinary share increased from S$1.67 as at 30 June 2005 to S$1.72 as at 31 December 2005.

The GLL Group currently has eight launched developments on the market in Singapore. As at 9 February 2006, the GLL Group has achieved sales of 67% in Sanctuary Green, 99% in The Gardens at Bishan, 96% in Bishan Point, 47% in Le Crescendo, 87% in Leonie Studio, 56% in Paterson Residence, 76% in The Ladyhill and 78% in The Boulevard Residence. The GLL Group's landbank in Singapore, in terms of saleable area, is approximately 144,000 square metres.

Singapore's economy is expected to maintain its growth momentum with economists forecasting that full-year GDP growth will exceed the official estimated forecast of between 3 to 5 per cent. With continued positive sentiments over the economic prospects of Singapore and a renewed confidence amongst homebuyers that the local property market is on the path to a firm and broad-based recovery, sales of the GLL Group's property development projects in Singapore should continue to benefit from the up cycle.

In Beijing, the GLL Group has completed the sale of the remaining area in Corporate Square in Beijing for a consideration of approximately US$48.6 million (S$80.8 million) in December 2005. The GLL Group expects to officially launch West End Point, a 814-unit residential development within the Second Ring Road in Feng Sheng, Xicheng District of Beijing after obtaining the sale permit.

The GLL Group has acquired a site situated in the Changfeng area of the Putuo District in Shanghai with a saleable area of approximately 360,000 square metres. This site can be developed into a modern integrated SOHO, commercial, hotel and retail development.

Resettlement is currently in progress on the Gujiaying site in Xuanwu District in Nanjing and the project is expected to be launched in the second half of 2006. In January 2006, the GLL Group acquired a site situated in the Maqun area of the Qixia District in Nanjing City with a saleable area of approximately 180,000 square metres.

With the two recent acquisitions in Shanghai and Nanjing, the GLL Group's landbank in China, in terms of saleable area, is now approximately 1 million square metres.

GDP growth for China averaged 9.4% in the first three quarters of 2005 and growth for 2006 is expected to remain strong. Underpinned by strong income growth and rapid urbanisation, the GLL Group expects demand for quality but reasonably priced residential housing to remain sustainable in the medium and long term. The GLL Group now has a growing landbank in the major cities of Shanghai, Beijing and Nanjing and is well positioned to benefit from the strong housing demand in these cities.

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 Thuan An district of Binh Duong Province, about 17 kilometres north of Ho Chi Minh City. The GLL Group intends to build an integrated residential, commercial, hotel and retail development on this site.

In Malaysia, the GLL Group has increased its interest in GuocoLand (Malaysia) Berhad to 45.59%.

BIL International Limited ("BIL") — 50.5% subsidiary

The Group consolidated the results of BIL from the date of its acquisition in October 2005. BIL recorded a profit of US$30.7 million for the six months period compared to a profit of US$32.5 million for the corresponding period last year. The July London bombings had a negative effect on the operating results of the Thistle Hotels Group.

The Gambling Commission of Great Britain ("Gambling Commission") on 2 February 2006 informed BIL Gaming Operations UK Ltd ("BIL Gaming"), a wholly-owned subsidiary of BIL, that it has been approved to be a licensed operator of casinos under The Gaming Act

1968. Additionally, the Gambling Commission has approved Certificates of Consent for 16 specific casino license applications. As a result of these approvals, BIL Gaming will work towards fulfilling all necessary regulatory requirements including making formal applications to the relevant licensing jurisdictions for each of these 16 casino locations.

Camerlin Group Berhad ("CGB") — 69.4% subsidiary

CGB recorded a profit before tax of RM56.5 million for the twelve months ended 31 December 2005 as compared with that of RM53.0 million for the corresponding period last year. The increase in profit before tax is mainly due to higher profit contribution from its 22.3% owned associate, BIL International Limited, which is CGB's only investment.

Hong Leong Credit Berhad ("HLCB") — 25.7% associated company

HLCB continued its two-pronged approach towards becoming an integrated financial services group: business co-operation and product bundling through "Integrated Sales Organisation (ISO)" forum and business and operational integration through "Centres of Excellence" concept.

Through working together in the HLCB Group's ISO forums, HLCB's key operating franchises, namely, banking, insurance, asset management and stockbroking have been building on each other's unique expertise and strengths towards providing personalised financial solutions in order to better meet customers' needs and requirements.

HLCB is embarking on the consolidation of certain operations such as IT and Data Centres as well as Building Management and has set up regional teams in the areas of Treasury, Investment Banking and Private Banking.

HLCB will publish its results for the interim period ended 31 December 2005 subsequent to the Group's own interim announcement. The Group has incorporated the consolidated results of HLCB based on their unaudited management accounts which are subject to changes and approval from Bank Negara Malaysia.

FINANCIAL COMMENTARY

Liquidity and financial resources

The Group's consolidated total equity (including minority interests) as at 31 December 2005 amounted to HK$41,755.0 million, an increase of 18.7% comparing to the total equity as at 30 June 2005.

The Group's consolidated total equity attributable to shareholders of the Company as at 31 December 2005 amounted to HK$35,406.0 million, an increase of HK$2,794.6 million comparing to the figure as at 30 June 2005.

As at 31 December 2005, the Group has net liquid funds of HK$21,205.4 million, comprising total cash balance of HK$11,922.7 million and marketable securities of HK$26,847.3 million and after netting off the total borrowings of HK$17,564.6 million.

The increase in total borrowings from HK$3,829.7 million as at 30 June 2005 was primarily due to consolidating the borrowings of BIL as well as the raising of foreign currency loans to hedge our foreign currency investments.

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

	At 31 December 2005 (Unaudited)			
	Bank loans	**Mortgage Debenture stock**	**Other borrowings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within 1 year	11,459,451	—	333,718	11,793,169
After 1 year but within 2 years	198,159	—	318,023	516,182
After 2 years but within 5 years	629,703	—	956,217	1,585,920
After 5 years	—	3,669,303	—	3,669,303
	827,862	3,669,303	1,274,240	5,771,405
	12,287,313	3,669,303	1,607,958	17,564,574

The loans are secured by the following:

a. legal mortgages on investment properties with a book value of HK$573.7 million;

b. legal mortgages on development properties with a book value of HK$2,876.1 million;

c. various hotels with a net book value of HK$6,878.5 million and all the shares of Thistle Hotels Limited held by the Group; and

d. financial assets measured at fair value through profit and loss of HK$13,226.9 million.

Contingent liabilities

A subsidiary of the Group, BIL, had contingent liabilities of approximately HK$133.4 million in relation to the guarantees of investment performance. In addition, BIL has given a guarantee to the owner of the 31 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$552.1 million per calender year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability on any one year under the guarantee was HK$552.1 million and the maximum aggregate liability under the guarantee was approximately HK$1,103.4 million. BIL's expectation is that the future annual EBITDA will be in excess of the guaranteed amount.

One hotel with net book value of HK$2,223.1 million was charged as security for a bank letter of credit to support BIL's obligation under the contingent liabilities.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 2,390 employees as at 31 December 2005. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to provide its staff with ongoing development programmes.

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 performance as incentives to optimise performance. Total staff costs for the six months ended 31 December 2005 amounted to approximately HK$298.5 million.

Share options may also be granted in accordance with the approved share option scheme or plan adopted by the Company and its subsidiaries to eligible employees to reward their contribution and foster loyalty towards the Group.

OUTLOOK

Looking ahead, we remain cautiously optimistic on global markets. Headline inflation rates are being contained in most major economies and the extent of Fed tightening is likely to be moderated in the early part of 2006. Global economic growth is likely to remain firm. However, possible increases in resources utilisation as well as elevated energy prices have the potential to add to inflation pressures. Equity prices globally are now not at low levels and some of these positive factors are already reflected in prices. As such, the Group will be vigilant for any new market development and continue to manage our investment risks.

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

During the period, 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 2,461,862 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of HK$192,217,000 for the Trust. 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 period the Company had not redeemed, neither the Company nor any of its other subsidiaries purchased or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the period, the Company had complied with the relevant provisions set out in the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in Appendix 14 to the Listing Rules, save the following:

- the non-executive directors were not appointed for a specific term; and

- the Chairman and the President are not subject to retirement by rotation pursuant to the Bye-Laws of the Company.

Model Code for Securities Transactions by Directors

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

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code for the period.

Board Audit Committee (the "BAC")

The BAC currently comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar and Volker Stoeckel, all being independent non-executive directors of the Company. 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 unaudited interim results of the Company for the six months ended 31 December 2005.

The terms of reference of the BAC were revised to align with the provisions of the CGP Code with effect from 1 July 2005.

Remuneration Committee (the "RC")

The RC has been established taking effect from 1 July 2005 with written terms of reference made pursuant to the relevant provisions of the CGP Code. The RC currently comprises Messrs Quek Leng Chan (Chairman), Harry Richard Wilkinson and Volker Stoeckel, two of whom are independent non-executive directors of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 28 February 2006 to 3 March 2006, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the interim dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 23 February 2006.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

As at the date of this announcement, the Board comprises Mr. Quek Leng Chan as Executive Chairman; Mr. Kwek Leng Hai as President, CEO; Mr. Tan Lim Heng 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, 10 February 2006