

2005/06

I N T E R I M
R E P O R T



國浩集團有限公司
Guoco Group Limited

A Member of the Hong Leong Group Malaysia

CONTENTS

	Page
CORPORATE INFORMATION	2
FINANCIAL RESULTS	3
INTERIM DIVIDEND	3
REVIEW OF OPERATIONS	3
FINANCIAL COMMENTARY	6
HUMAN RESOURCES AND TRAINING	7
OUTLOOK	7
CONSOLIDATED INCOME STATEMENT (UNAUDITED)	8
CONSOLIDATED BALANCE SHEET (UNAUDITED)	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	10
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)	11
NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT	12
CORPORATE GOVERNANCE	34
SUPPLEMENTARY INFORMATION	35

Please visit our website at <http://www.guoco.com> and click into “Financial Information” and “Annual and Interim Reports” for the Internet version of this interim report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Quek Leng Chan – Executive Chairman
 Kwek Leng Hai – President, CEO
 Sat Pal Khattar **
 Kwek Leng San*
 Tan Lim Heng
 James Eng, Jr.
 Harry Richard Wilkinson **
 Volker Stoeckel **

* Non-executive director

** Independent non-executive director

COMPANY SECRETARY

Stella Lo Sze Man

PRINCIPAL OFFICE

50th Floor, The Center
 99 Queen's Road Central
 Hong Kong

Telephone : (852) 2283 8833
 Fax : (852) 2285 3233
 Website : <http://www.guoco.com>

BRANCH SHARE REGISTRARS

Computershare Hong Kong
 Investor Services Limited
 Shops 1712-16
 17th Floor, Hopewell Centre
 183 Queen's Road East, Hong Kong

PLACE OF INCORPORATION

Bermuda

REGISTERED ADDRESS

Canon's Court, 22 Victoria Street
 Hamilton HM 12, Bermuda

INTERNET WEBSITES OF OTHER SUBSIDIARIES AND ASSOCIATES

GuocoLand Limited
 (<http://www.guocoland.com.sg>)

GuocoLand (Malaysia) Berhad
 (<http://www.mystorey.com>)

BIL International Limited
 (<http://www.bilgroup.com>)

Thistle Hotels Limited
 (<http://www.thistlehotels.com>)

Dao Heng Securities Limited
 (<http://www.dhsec.com>)

Hong Leong Bank Berhad
 (<http://www.hlb.com.my>)

Hong Leong Assurance Berhad
 (<http://www.hla.com.my>)

Dao Heng Insurance Co., Limited
 (<http://www.daohenginsurance.com>)

FINANCIAL CALENDAR

Interim results announcement	10 February 2006
Closure of Register of Members	28 February 2006 to 3 March 2006
Interim dividend of HK\$1.00 per share payable on	6 March 2006

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.

REVIEW OF OPERATIONS (CONTINUED)

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 Crawform 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.

REVIEW OF OPERATIONS (CONTINUED)

GuocoLand Limited (“GLL”) — 63.9% subsidiary (continued)

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.

REVIEW OF OPERATIONS (CONTINUED)

Hong Leong Credit Berhad (“HLCB”) — 25.7% associated company (continued)

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		Total
		Debenture stock	Other borrowings	
	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

FINANCIAL COMMENTARY (CONTINUED)

Liquidity and financial resources (continued)

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 calendar 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.

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005 - Unaudited

	Note	2005 US\$'000	2004 (Restated) US\$'000	2005 HK\$'000	2004 (Restated) HK\$'000
Turnover	3,4	796,845	643,326	6,178,895	5,001,474
Cost of sales		(648,254)	(537,917)	(5,026,691)	(4,181,982)
Other attributable costs		(4,062)	(9,440)	(31,498)	(73,390)
		144,529	95,969	1,120,706	746,102
Other revenue	5 (a)	9,010	2,760	69,865	21,457
Other net income	5 (b)	368,770	120,122	2,859,516	933,876
Administrative and other operating expenses		(62,100)	(11,289)	(481,536)	(87,765)
Profit from operations before finance cost	3	460,209	207,562	3,568,551	1,613,670
Finance cost	7	(17,641)	(4,078)	(136,792)	(31,704)
Profit from operations		442,568	203,484	3,431,759	1,581,966
Impairment loss write back on properties		13,895	739	107,745	5,745
Provision write back on investment		7,459	—	57,839	—
Net profit on disposal of investment properties		—	1,102	—	8,567
Share of profits less losses of associates	6	32,512	20,290	252,106	157,742
Share of profits of a jointly controlled entity	6	20,675	—	160,319	—
Profit before taxation	6	517,109	225,615	4,009,768	1,754,020
Taxation	8	(10,820)	(12,126)	(83,900)	(94,272)
Profit for the period		506,289	213,489	3,925,868	1,659,748
Attributable to :					
Shareholders of the Company		483,888	201,010	3,752,166	1,562,732
Minority interests		22,401	12,479	173,702	97,016
Profit for the period		506,289	213,489	3,925,868	1,659,748
Earnings per share		US\$	US\$	HK\$	HK\$
Basic	10	1.47	0.61	11.43	4.75
Diluted	10	1.47	0.61	11.42	4.75
		US\$'000	US\$'000	HK\$'000	HK\$'000
Proposed interim dividend	9	42,435	33,860	329,051	263,241

The notes on pages 12 to 33 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) (Restated) US\$'000	At 31 December 2005 (Unaudited) HK\$'000	At 30 June 2005 (Audited) (Restated) HK\$'000
NON-CURRENT ASSETS					
Fixed assets	11				
- Investment properties		221,190	218,680	1,715,151	1,699,581
- Other property, plant and equipment		544,162	1,498	4,219,541	11,642
Interest in leasehold land held for own use under operating lease		742,348	9,914	5,756,315	77,052
Bass Strait oil and gas royalty		119,638	—	927,697	—
Interest in associates		337,284	553,422	2,615,368	4,301,196
Interest in jointly controlled entities		—	12,651	—	98,324
Available-for-sale financial assets		94,919	70,184	736,021	545,470
Deferred tax assets		1,038	1,207	8,049	9,381
Goodwill	20	611	(7,868)	4,738	(61,150)
		2,061,190	859,688	15,982,880	6,681,496
CURRENT ASSETS					
Development properties	12	789,116	411,933	6,118,963	3,201,543
Properties held for sale		84,444	149,039	654,796	1,158,331
Other assets	13	133,375	131,172	1,034,216	1,019,469
Financial assets measured at fair value through profit and loss		3,462,297	606,569	26,847,343	4,714,254
Inventories	14	667	—	5,172	—
Cash and short term funds		1,537,586	3,032,611	11,922,749	23,569,453
		6,007,485	4,331,324	46,583,239	33,663,050
CURRENT LIABILITIES					
Other payables and provisions	15	176,168	125,176	1,366,042	972,868
Current portion of bank loans and other borrowings	16	1,520,875	148,120	11,793,169	1,151,189
Taxation		43,005	31,610	333,469	245,673
		1,740,048	304,906	13,492,680	2,369,730
NET CURRENT ASSETS		4,267,437	4,026,418	33,090,559	31,293,320
TOTAL ASSETS LESS CURRENT LIABILITIES		6,328,627	4,886,106	49,073,439	37,974,816
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings	17	744,294	344,639	5,771,405	2,678,534
Provisions		27,555	—	213,668	—
Deferred tax liabilities		163,782	5,737	1,269,998	44,588
Irredeemable convertible unsecured loan stocks		8,166	8,138	63,321	63,249
		943,797	358,514	7,318,392	2,786,371
NET ASSETS		5,384,830	4,527,592	41,755,047	35,188,445
CAPITAL AND RESERVES					
Share capital	18	164,526	164,526	1,275,768	1,278,696
Reserves		4,401,520	4,031,492	34,130,265	31,332,755
Equity attributable to shareholders of the Company	19	4,566,046	4,196,018	35,406,033	32,611,451
Minority interests	19	818,784	331,574	6,349,014	2,576,994
TOTAL EQUITY	19	5,384,830	4,527,592	41,755,047	35,188,445

The notes on pages 12 to 33 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005 - Unaudited

	2005 US\$'000	2004 (Restated) US\$'000	2005 HK\$'000	2004 (Restated) HK\$'000
Total equity at 1 July				
Attributable to shareholders of the Company (as previously reported at 30 June)	4,196,018	3,933,605	32,611,451	30,682,119
Exchange adjustment	—	—	(74,690)	(106,943)
	4,196,018	3,933,605	32,536,761	30,575,176
Minority interests (as previously presented separately from liabilities and equity at 30 June)	331,574	243,961	2,571,091	1,902,895
As restated, before opening balance adjustments	4,527,592	4,177,566	35,107,852	32,478,071
Opening balance adjustments arising from changes in accounting policies	45,868	—	355,670	—
At 1 July after prior period and opening balance adjustments	4,573,460	4,177,566	35,463,522	32,478,071
Net income for the period recognised directly in equity:				
Exchange difference on translation of the financial statements of foreign subsidiaries and associates	(7,877)	23,172	(61,080)	180,148
Shares repurchased and cancelled by a subsidiary	—	(3,412)	—	(26,526)
Share of subsidiaries' and associates' capital reserves movement	(15,221)	(2,550)	(118,027)	(19,825)
Disposal of available-for-sale financial assets	(5,087)	—	(39,446)	—
Acquisition of new subsidiaries	32,958	—	255,563	—
Changes in fair value of available-for-sale financial assets	15,911	—	123,377	—
Net income for the period recognised directly in equity (2004: as restated)	20,684	17,210	160,387	133,797
Net profit for the period:				
Attributable to shareholders of the Company (as previously reported)		201,040		1,562,964
Minority interests (as previously presented separately in the income statement)		12,496		97,149
		213,536		1,660,113
Prior period adjustments arising from changes in accounting policies		(47)		(365)
Net profit for the period (2004: as restated)	506,289	213,489	3,925,868	1,659,748
Total recognised income and expenses for the period (2004: as restated)	526,973	230,699	4,086,255	1,793,545
Attributable to:				
Shareholders of the Company	498,114	209,021	3,861,701	1,624,879
Minority interests	28,859	21,678	224,554	168,666
	526,973	230,699	4,086,255	1,793,545
Dividends paid	(125,981)	(109,836)	(976,882)	(853,908)
Equity settled share - based transaction	207	—	1,605	—
Purchase of own shares for Share Option Plan	(24,812)	—	(192,397)	—
Issue of ordinary share capital of a subsidiary	65	(6,116)	504	(47,548)
Addition to minority interest on acquisition of subsidiaries	455,616	(284)	3,532,938	(2,208)
Share buy back by a subsidiary	—	(3,242)	—	(25,205)
Dividend paid to minority interest	(20,657)	(9,816)	(160,179)	(76,313)
Dilution of interest in a subsidiary arising from conversion of preference shares to ordinary shares	(41)	(1,733)	(319)	(13,473)
Total equity at 31 December	5,384,830	4,277,238	41,755,047	33,252,961

The notes on pages 12 to 33 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005 - Unaudited

	2005 US\$'000	2004 US\$'000
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(2,434,583)	237,435
NET CASH USED IN INVESTING ACTIVITIES	(131,459)	(18,979)
NET CASH GENERATED FROM / (USED IN) FINANCING	1,067,026	(270,635)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,499,016)	(52,179)
EFFECT OF FOREIGN EXCHANGE RATES	3,991	1,360
CASH AND CASH EQUIVALENTS AS AT 1 JULY	3,032,611	2,896,654
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	1,537,586	2,845,835
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and short term funds	1,537,586	2,845,835

The notes on pages 12 to 33 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. 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 in note 2.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004/05 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which term collectively includes HKASs and Interpretations.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 30 June 2005 included in the interim financial report is extracted from the Company’s statutory financial statements. Statutory financial statements for the year ended 30 June 2005 can be obtained on request at the Group Company Secretariat, 50/F The Center, 99 Queen’s Road Central, Hong Kong, or from the Company’s website www.guoco.com. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 September 2005.

2. CHANGE IN ACCOUNTING POLICIES

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 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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2. CHANGE IN ACCOUNTING POLICIES (continued)

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

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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2. CHANGE IN ACCOUNTING POLICIES (continued)

(b) Investment properties (HKAS 40, Investment property and HKAS Interpretation (“HKAS - INT”) 21, Income taxes - Recovery of revalued non-depreciable assets) (continued)

(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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2. CHANGE IN ACCOUNTING POLICIES (continued)

(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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2. *CHANGE IN ACCOUNTING POLICIES (continued)*

- (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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2. CHANGE IN ACCOUNTING POLICIES (continued)

(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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2. CHANGE IN ACCOUNTING POLICIES (continued)

(i) Effects of the changes in accounting policies

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:

	HKFRS 2 US\$'000	HKAS 17 US\$'000	HKAS 32 & HKAS 39 US\$'000	HKFRS 3, HKAS 36 & HKAS 38 US\$'000	HKAS 18 & HK - INT 3 US\$'000	Total US\$'000
2005/2006 interim period						
For the six months ended 31 December 2005						
Decrease in turnover	—	—	—	—	(28,239)	(28,239)
(Increase) / decrease in cost of sales	(112)	—	—	—	26,282	26,170
Increase in administrative and other operating expenses	(95)	—	—	(3,611)	—	(3,706)
Decrease in taxation	—	—	—	—	424	424
Decrease in share of profits less losses of associates	—	—	—	(6,015)	(176)	(6,191)
Decrease in profit attributable to minority interests	99	—	—	2,482	617	3,198
Decrease in profit attributable to shareholders of the Company	(108)	—	—	(7,144)	(1,092)	(8,344)
Decrease in basic / diluted earnings per share, US\$ cents	(0.03)	—	—	(2.18)	(0.33)	(2.54)
As at 1 July 2005						
Decrease in fixed assets	—	(9,914)	—	—	—	(9,914)
Increase in interests in leasehold land held for own use under operating lease	—	9,914	—	—	—	9,914
Decrease in other non-current financial assets	—	—	(70,184)	—	—	(70,184)
Decrease in other investments in securities	—	—	(606,569)	—	—	(606,569)
Increase in available-for-sale financial assets	—	—	82,883	—	—	82,883
Increase in financial assets measured at fair value through profit and loss	—	—	606,569	—	—	606,569
Increase in interest in associates	—	—	—	25,301	—	25,301
Decrease in negative goodwill	—	—	—	7,868	—	7,868
Increase in net assets	—	—	12,699	33,169	—	45,868
(Decrease) / increase in retained profits	(155)	—	7,979	31,644	—	39,468
Increase in share option reserve	155	—	—	—	—	155
Decrease in capital reserve	—	—	—	(17,024)	—	(17,024)
Increase in equity attributable to shareholders of the Company	—	—	7,979	14,620	—	22,599
Increase in minority interests	—	—	4,720	18,549	—	23,269

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

2. CHANGE IN ACCOUNTING POLICIES (continued)

(i) Effects of the changes in accounting policies (continued)

	HKFRS 2 US\$'000	HKAS 17 US\$'000	HKAS 32 & HKAS 39 US\$'000	HKFRS 3, HKAS 36 & HKAS 38 US\$'000	HKAS 18 & HK - INT 3 US\$'000	Total US\$'000
2004/2005 interim period						
For the six months ended 31 December 2004						
Increase in cost of sales	(36)	—	—	—	—	(36)
Increase in administrative and other operating expenses	(11)	—	—	—	—	(11)
Decrease in profit attributable to minority interests	17	—	—	—	—	17
Decrease in profit attributable to shareholders of the Company	(30)	—	—	—	—	(30)
As at 1 July 2004						
Decrease in fixed assets	—	(13,841)	—	—	—	(13,841)
Increase in interest in leasehold land held for own use under operating lease	—	13,841	—	—	—	13,841
Increase/ (decrease) in net assets	—	—	—	—	—	—

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

3. SEGMENT INFORMATION

Business Segments (Unaudited)

	Treasury and investment management US\$'000	Property development US\$'000	Property investment US\$'000	Securities, commodities and brokerage US\$'000	Insurance US\$'000	Hotel operations US\$'000	Oil and gas US\$'000	Inter-segment elimination US\$'000	Total US\$'000
For the six months ended									
31 December 2005									
Turnover	602,459	102,273	5,620	3,924	—	82,569	—	—	796,845
Inter-segment turnover	67,509	—	237	86	—	—	—	(67,832)	—
	<u>669,968</u>	<u>102,273</u>	<u>5,857</u>	<u>4,010</u>	<u>—</u>	<u>82,569</u>	<u>—</u>	<u>(67,832)</u>	<u>796,845</u>
Contribution from operations	435,694	1,013	2,524	2,003	—	11,509	2,989	—	455,732
Unallocated income									19,444
Unallocated expenses									(14,967)
									<u>460,209</u>
For the six months ended									
31 December 2004 (Restated)									
Turnover	507,685	123,097	3,781	2,785	5,978	—	—	—	643,326
Inter-segment turnover	6,759	—	245	105	—	—	—	(7,109)	—
	<u>514,444</u>	<u>123,097</u>	<u>4,026</u>	<u>2,890</u>	<u>5,978</u>	<u>—</u>	<u>—</u>	<u>(7,109)</u>	<u>643,326</u>
Contribution from operations	183,267	22,230	2,632	422	217	—	—	—	208,768
Unallocated income									5,486
Unallocated expenses									(6,692)
									<u>207,562</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

3. SEGMENT INFORMATION (continued)

Geographical Segments (Unaudited)

	Turnover		Profit from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2005	2004	2005	2004
		(Restated)		(Restated)
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong	579,296	514,605	404,213	167,979
Singapore	66,877	57,860	6,228	12,502
The People's Republic of China	65,692	70,667	5,513	21,932
UK	82,569	6	1,659	39
USA	2,401	—	(339)	—
Asia (excluding HK, Singapore & PRC)	10	188	25,294	1,032
	796,845	643,326	442,568	203,484

4. TURNOVER

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

	Six months ended	
	31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Proceeds from sale of investments in securities	549,276	468,370
Income from sale of properties	102,273	123,097
Interest income	39,113	30,096
Revenue from hotel operations	82,569	—
Dividend income	15,029	9,660
Gross insurance premiums	—	5,891
Rental income from properties	5,475	3,630
Securities commission and brokerage	2,730	2,435
Other income	380	147
	796,845	643,326

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

5. OTHER REVENUE AND NET INCOME

(a) Other revenue

	Six months ended 31 December	
	2005 (Unaudited) US\$'000	2004 (Unaudited) US\$'000
Interest income from listed securities	901	338
Sublease income	2,153	—
Bass Strait oil and gas royalty	4,407	—
Others	1,549	2,422
	9,010	2,760

(b) Other net income

	Six months ended 31 December	
	2005 (Unaudited) US\$'000	2004 (Unaudited) (Restated) US\$'000
Net unrealized gains on financial assets measured at fair value through profit and loss	363,074	82,555
Net exchange gains	5,093	37,566
Net profit on disposal of fixed assets	65	1
Others	538	—
	368,770	120,122

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at

	Six months ended 31 December	
	2005 (Unaudited) US\$'000	2004 (Unaudited) (Restated) US\$'000
after charging:		
Staff costs (including retirement scheme contributions of US\$872,000 (2004: US\$506,000))	38,493	8,173
Depreciation	7,080	963
Amortization of oil and gas royalty	1,404	—
Operating lease charges		
- properties	388	404
- others	426	3
Auditors' remuneration	282	154
Donations	41	18
Share of associates' taxation	—	5,058
and crediting:		
Amortization of negative goodwill	—	4,423
Amortization of negative goodwill included in share of profits less losses of associates	—	5,759
Provision write back on investment	7,459	—
Recognition of negative goodwill	16,147	—
Impairment loss write back on properties	13,895	739
Share of associates' taxation	2,970	—
Gross rental income from investment properties	3,644	3,630
Less: direct outgoings	(1,200)	(1,122)
Net rental income	2,444	2,508
Share of profits less losses of associates:		
- Listed	24,610	17,540
- Unlisted	7,902	2,750
	32,512	20,290
Share of profits of a jointly controlled entity:		
- Unlisted	20,675	—

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

7. *FINANCE COST*

	Six months ended 31 December	
	2005 (Unaudited) US\$'000	2004 (Unaudited) US\$'000
Interest on bank advances and other borrowings repayable within five years	10,845	6,671
Interest on non-bank borrowings not wholly repayable within five years	9,850	—
Other borrowing costs	1,675	357
Total borrowing costs	22,370	7,028
Less: Borrowing costs capitalized into development properties (Note)	(4,729)	(2,950)
	17,641	4,078

Note: The borrowing costs have been capitalized at a rate of 3.0% - 4.7% per annum (2004: 2.0% - 3.0%).

8. *TAXATION*

Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2005 (Unaudited) US\$'000	2004 (Unaudited) (Restated) US\$'000
Hong Kong Profits Tax	7,101	3,728
Overseas taxation	6,697	8,797
Deferred taxation	(2,978)	(399)
	10,820	12,126

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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

9. DIVIDENDS

	Six months ended 31 December	
	2005 (Unaudited) US\$'000	2004 (Unaudited) US\$'000
2005: Final dividend paid of HK\$3.00 per share (2004: HK\$2.60 per share)	125,981	109,836
2006: Proposed interim dividend of HK\$1.00 per share (2005: HK\$0.80 per share)	42,435	33,860

The proposed interim dividend for the year ending 30 June 2006 of US\$42,435,000 is calculated based on 329,051,373 ordinary shares (2004: 329,051,373 ordinary shares) in issue as at 31 December 2005.

10. 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 US\$483,888,000 (2004: US\$201,010,000 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 US\$483,367,000 (2004: US\$201,008,000 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.

11. FIXED ASSETS

During the six months ended 31 December 2005, the Group acquired fixed assets with a cost of US\$382,994,000 (six months ended 31 December 2004: US\$390,000), with amount of US\$379,790,000 acquired through acquisition of subsidiaries. The Group disposed of fixed assets with a net book value of US\$645,000 during the six months ended 31 December 2005 (six months ended 31 December 2004: US\$4,657,000).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

12. DEVELOPMENT PROPERTIES

	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) (Restated) US\$'000
Cost	924,508	597,199
Less: Attributable loss	(32,018)	(22,585)
Less: Impairment loss	(50,227)	(76,872)
Less: Progress instalments received and receivable	(53,147)	(85,809)
	789,116	411,933

The amount of development properties expected to be recovered after more than one year is US\$415.0 million (30 June 2005: US\$53.2 million).

13. OTHER ASSETS

	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) (Restated) US\$'000
Accrued interest	2,337	7,312
Derivative financial instruments, at fair value	10,472	1,658
Other accounts	120,566	122,202
	133,375	131,172

Included in other accounts are amounts of US\$0.5 million (30 June 2005: US\$3.3 million) which are expected to be recovered after more than one year.

14. INVENTORIES

During six months ended 31 December 2005, the Group purchased US\$667,000 (2004: \$Nil) inventories with amount of US\$601,000 purchased through acquisition of subsidiaries.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

15. OTHER PAYABLES AND PROVISIONS

	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) (Restated) US\$'000
Other payables and provisions	142,855	110,637
Derivative financial instruments, at fair value	18,480	1,305
Amounts due to a fellow subsidiary	14,833	13,233
Amounts due to associates	—	1
	176,168	125,176

Included in other payables are amounts of US\$8.7 million (30 June 2005: US\$5.0 million) which are expected to be settled after more than one year.

16. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) US\$'000
Bank loans		
- Secured	1,337,086	96,772
- Unsecured	140,752	39,477
	1,477,838	136,249
Unsecured capital notes	2,283	—
Unsecured medium term notes repayable within 1 year	40,754	11,871
	1,520,875	148,120

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

17. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) US\$'000
Bank loans		
- Secured	85,709	173,818
- Unsecured	21,054	20,778
	106,763	194,596
Unsecured medium term notes	162,416	150,043
Unsecured capital notes	1,913	—
Secured mortgage debenture stock	473,202	—
	744,294	344,639

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

	At 31 December 2005 (Unaudited)				At 30 June 2005 (Audited)			
	Bank loans US\$'000	Mortgage debenture stock US\$'000	Other borrowings US\$'000	Total US\$'000	Bank loans US\$'000	Mortgage debenture stock US\$'000	Other borrowings US\$'000	Total US\$'000
On demand or within 1 year	1,477,838	—	43,037	1,520,875	136,249	—	11,871	148,120
After 1 year but within 2 years	25,555	—	41,013	66,568	93,676	—	78,806	172,482
After 2 years but within 5 years	81,208	—	123,316	204,524	100,920	—	71,237	172,157
After 5 years	—	473,202	—	473,202	—	—	—	—
	106,763	473,202	164,329	744,294	194,596	—	150,043	344,639
	1,584,601	473,202	207,366	2,265,169	330,845	—	161,914	492,759

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

18. SHARE CAPITAL

	At 31 December 2005		At 30 June 2005	
	No. of shares		No. of shares	
	(Unaudited) (‘000)	(Unaudited) US\$‘000	(Audited) (‘000)	(Audited) US\$‘000
Authorized:				
Ordinary shares of US\$0.50 each	1,000,000	500,000	1,000,000	500,000
Issued and fully paid	329,051	164,526	329,051	164,526

Note: As at 31 December 2005, 3,481,862 ordinary shares (30 June 2005: 1,020,000 ordinary shares) were acquired by the Group for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

19. RESERVES

Note	Share Capital US\$'000	Share Premium US\$'000	Capital and other reserves US\$'000	Contributed surplus US\$'000	ESOP reserve US\$'000	Share option reserve US\$'000	Exchange translation reserve US\$'000	Investment revaluation reserve US\$'000	Retained profits US\$'000	Total US\$'000	Minority interests US\$'000	Total equity US\$'000
At 1 July 2005												
-as previously reported	164,526	10,493	43,731	2,896	(10,132)	—	13,004	—	3,971,500	4,196,018	331,574	4,527,592
-prior period adjustments in respect of:												
-Equity settled share-based transactions	2(a)	—	—	—	—	155	—	—	(155)	—	—	—
-as restated, before opening balance adjustments	164,526	10,493	43,731	2,896	(10,132)	155	13,004	—	3,971,345	4,196,018	331,574	4,527,592
-opening balance adjustment:												
-in respect of financial instruments	2(d)	—	—	—	—	—	—	—	7,979	7,979	4,720	12,699
-in respect of negative goodwill	2(e)	—	—	(17,024)	—	—	—	—	31,644	14,620	18,549	33,169
-as restated, after opening balance adjustment	164,526	10,493	26,707	2,896	(10,132)	155	13,004	—	4,010,968	4,218,617	354,843	4,573,460
Transfer between reserves	—	—	2,758	—	—	—	—	—	(2,758)	—	—	—
Share of subsidiaries' and associates' capital and other reserves movement	—	—	(15,221)	—	—	—	—	—	—	(15,221)	—	(15,221)
Equity settled share - based transactions	—	—	—	—	—	108	—	—	—	108	99	207
Purchase of own shares for Share Option Plan	—	—	—	—	(24,812)	—	—	—	—	(24,812)	—	(24,812)
Disposal of available-for-sale financial assets	—	—	—	—	—	—	—	—	(2,167)	(2,167)	(2,920)	(5,087)
Acquisition of new subsidiaries	—	—	—	—	—	—	—	—	32,958	32,958	—	32,958
Changes in fair value of available-for-sale financial assets	—	—	—	—	—	—	—	6,426	—	6,426	9,485	15,911
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	—	53	—	—	—	(7,823)	—	—	(7,770)	(107)	(7,877)
Issue of ordinary share capital of a subsidiary	—	—	—	—	—	—	—	—	—	—	65	65
Addition on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	455,616	455,616
Dividend paid to minority interest	—	—	—	—	—	—	—	—	—	—	(20,657)	(20,657)
Dilution of interest in a subsidiary arising from conversion of preference shares to ordinary shares	—	—	—	—	—	—	—	—	—	—	(41)	(41)
Final dividend paid	—	—	—	—	—	—	—	—	(125,981)	(125,981)	—	(125,981)
Retained profits for the period	—	—	—	—	—	—	—	—	483,888	483,888	22,401	506,289
At 31 December 2005	164,526	10,493	14,297	2,896	(34,944)	263	5,181	6,426	4,396,908	4,566,046	818,784	5,384,830

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

20. ACQUISITION OF SUBSIDIARY

On 21 October 2005, the Group acquired 20.98% of the issued share capital of BIL International Limited ("BIL"). After the acquisition, BIL became a 50.5% owned and controlled subsidiary of the Group. BIL is an international investment company with a global portfolio of investments. The BIL Group's current key investments are in: (i) Thistle Hotels, a hotel chain in the United Kingdom; (ii) development properties on the island of Molokai in Hawaii; (iii) resorts and development properties in Denarau Fiji, and (iv) the 2.5% royalty on the gross value of all hydrocarbons, liquid or gas produced and recovered in designated areas within Australia's Bass Strait. This acquisition has been accounted for by the purchase method of accounting.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount/fair value before combination US\$'000
Net assets acquired:	
Hotel, property, plant and equipment	1,307,352
Development properties	197,025
Bass Strait oil & gas royalties	125,822
Listed investments	23,610
Other investments	11,322
Trade and other receivables	74,769
Cash and cash equivalents	46,419
Inventories	601
Loans and borrowings	(510,145)
Trade and other payables	(61,545)
Corporate tax payable	(8,465)
Provisions	(34,368)
Deferred tax liabilities	(164,675)
	<u>1,007,722</u>
Share of 20.98% net asset acquired	211,422
Goodwill	611
Total consideration	<u>212,033</u>
Total consideration, satisfied by:	
Cash	210,399
Other payable	1,634
	<u>212,033</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

20. ACQUISITION OF SUBSIDIARY (continued)

The goodwill represents the difference between the investment cost and the BIL Group's identifiable net assets at fair values, except for the fixed assets and the development properties, which are at their book value. The valuers are in the process to carry out valuation on these assets. Upon completion of the valuation, fair value adjustments to these assets will be made and the amount of goodwill will be adjusted accordingly.

BIL contributed US\$107,633,000 turnover and US\$14,924,000 to the Group's profit for the period since acquisition to the balance sheet date.

If the acquisition had been occurred on 1 July 2005, total Group turnover would have been US\$850,822,000 and profit for the period would have been US\$518,060,000 for the six months ended 31 December 2005 .

21. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) US\$'000
Authorised and contracted for	4,967	—

22. CONTINGENT LIABILITIES

A subsidiary of the Group, BIL, had contingent liabilities of approximately US\$17.2 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 US\$71.2 million per calendar year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability on any one year under the guarantee was US\$71.2 million and the maximum aggregate liability under the guarantee was approximately US\$142.3 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 US\$286.7 million was charged as security for a bank letter of credit to support BIL's obligation under the contingent liabilities.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

23. MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

Transactions with companies in the Hong Leong Company (Malaysia) Berhad Group (“HLCM”).

During the period, the Group entered into a number of transactions in the normal course of business with companies in the HLCM Group including deposit and correspondent banking transactions. The transactions were priced based on the relevant market rates at the time of each transaction, and were under the same terms as those available to the independent counterparties and customers.

Information relating to interest income from these transactions during the period and balance outstanding at the balance sheet date are set out below:

(i) Income

	Six months ended 31 December	
	2005 (Unaudited) US\$'000	2004 (Unaudited) US\$'000
Interest income	374	513

(ii) Balance as

	At 31 December 2005 (Unaudited) US\$'000	At 30 June 2005 (Audited) US\$'000
Cash and short term funds	24,797	74,879

(b) Management fee

On 21 August 2001, the Company entered into a management services agreement, determinable by either party giving six months' notice, with GOMC Limited (“GOMC”), a subsidiary of HLCM, for provision of general management services to the Group by GOMC. Total management fees paid and payable to GOMC for the period ended 31 December 2005 amounted to US\$14.9 million (2004: US\$6.5 million).

24. HONG KONG DOLLAR AMOUNTS

The Hong Kong dollar figures shown in the consolidated income statement and the balance sheet are for information only. They are translated from United States dollars at the rates ruling at the respective financial period ends.

25. 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.

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. 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
- the Chairman and the President are not subject to retirement by rotation pursuant to the Bye-Laws of the Company. The Board will propose at the 2006 annual general meeting of the Company to amend the provisions of the Bye-Laws of the Company so as to align with the relevant provisions of the CGP Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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.

SUPPLEMENTARY INFORMATION

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

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Company ("Model Code") were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(A) The Company

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of the Company
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	1,656,325	226,920,157	228,576,482	Note 69.47%
Kwek Leng Hai	3,670,775	—	3,670,775	1.12%
Sat Pal Khattar	691,125	—	691,125	0.21%
Kwek Leng San	209,120	—	209,120	0.06%
Tan Lim Heng	559,230	—	559,230	0.17%
James Eng, Jr.	565,443	—	565,443	0.17%
Harry Richard Wilkinson	5,000	—	5,000	0.00%

* Ordinary shares unless otherwise specified in the Note

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(A) The Company (continued)

Note:

The total interests of 228,576,482 shares/underlying shares comprised 220,717,634 ordinary shares of the Company and 7,858,848 underlying shares of other unlisted derivatives.

The corporate interests of 226,920,157 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
Guoinvest International Limited ("Guoinvest")	6,425,000
Asian Financial Common Wealth Limited ("AFCW")	3,481,862

AFCW was wholly owned by the Company which was in turn 65.52% owned by GOL. GOL and Guoinvest were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM was 49.11% owned by Mr Quek Leng Chan (2.43%) and HL Holdings Sdn Bhd (46.68%) which was in turn wholly owned by Mr Quek Leng Chan.

(B) Associated Corporations

a) Hong Leong Company (Malaysia) Berhad ("HLCM")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLCM
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	390,000	7,487,100	7,877,100 <i>Note</i>	49.11%
Kwek Leng Hai	400,500	—	400,500	2.50%
Kwek Leng San	97,500	—	97,500	0.61%

* Ordinary shares

Note:

The corporate interests of 7,487,100 shares were held by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

b) *GuocoLand Limited ("GLL")*

Director	Number of *shares (Long Position)			Notes	Approx. % of the issued share capital of GLL
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	15,047,224	469,407,229	484,454,453	1	72.78%
Kwek Leng Hai	19,851,140	—	19,851,140		2.98%
Sat Pal Khattar	5,000,000	5,392,362	10,392,362	2	1.56%
Tan Lim Heng	1,000,000	—	1,000,000		0.15%
James Eng, Jr.	200,000	—	200,000		0.03%
Volker Stoeckel	500,000	—	500,000		0.08%

* Ordinary shares

Notes:

- The corporate interests of 469,407,229 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Consultancy Services Sdn Bhd ("HLCS")	44,045,989
Guoco Investment Pte Ltd ("GIPL")	345,696,942
Asia Fountain Investment Company Limited ("AFI")	79,664,298

GIPL and AFI were wholly owned subsidiaries of the Company. HLCS was wholly owned by Hong Leong Management Co Sdn Bhd (renamed as HLCM Capital Sdn Bhd) which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). The respective controlling shareholders of the Company and HLCM as well as their respective percentage controls are shown in the Note under Part (A) above.

- The corporate interests of 5,392,362 were directly held by Khattar Holdings Pte Ltd which was 0.61% owned by Mr Sat Pal Khattar and was accustomed to act according to his directions.

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

c) Hong Leong Credit Berhad ("HLCB")

Director	Number of *shares/underlying shares (Long Position)			Notes	Approx. % of the issued share capital of HLCB
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	11,046,600	821,483,998	832,530,598	1	80.00%
Kwek Leng Hai	2,316,800	—	2,316,800	2	0.22%
Kwek Leng San	600,000	—	600,000		0.06%
Tan Lim Heng	245,700	—	245,700		N/A

* Ordinary shares unless otherwise specified in the Notes

Notes:

- Based on the additional information disclosed under the SFO subsequent to the interim period end date, the total interests of 832,530,598 shares/underlying shares comprised 824,813,898 ordinary shares of HLCB and 7,716,700 underlying shares of other unlisted derivatives.

The corporate interests of 821,483,998 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,476,568
HLCM Capital Sdn Bhd ("HLCM Capital")	207,184
Hong Leong Nominees Sendirian Berhad ("HLN")	3,600
Guoinvest International Limited ("Guoinvest")	7,716,700
Guoco Investments (Bermuda) Limited ("GIB")	41,686,700
Guoco Assets Sdn Bhd ("GASB")	225,393,246

GIB and GASB were wholly owned by the Company. HLN was wholly owned by HLCM Capital.

The respective controlling shareholders of the Company, HLCM and Guoinvest as well as their respective percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLCM Capital and its percentage control are shown in Note 1 under Part (B)(b) above.

- The total interests of 2,316,800 shares/underlying shares comprised 2,156,000 ordinary shares of HLCB and 160,800 underlying shares of listed physically settled options issued by HLCB.

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

d) GuocoLand (Malaysia) Berhad ("GLM") (formerly known as Hong Leong Properties Berhad)

Director	Number of *shares/underlying shares (Long Position)			Notes	Approx. % of the issued share capital of GLM
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	3,266,280	328,804,013	332,070,293	1	47.41%
Kwek Leng Hai	226,800	—	226,800		0.03%
Sat Pal Khattar	162,700	—	162,700	2	0.02%
Tan Lim Heng	73,710	—	73,710		0.01%

* Ordinary shares unless otherwise specified in the Notes

Notes:

- The total interests of 332,070,293 shares/underlying shares comprised 330,410,333 ordinary shares of GLM and 1,659,960 underlying shares of other unlisted derivatives.

The corporate interests of 328,804,013 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Guoinvest International Limited ("Guoinvest")	1,659,960
GLL (Malaysia) Pte Ltd ("GLLM")	319,115,457
HLCM Capital Sdn Bhd ("HLCM Capital")	62,723
Hume Plastics (Malaysia) Sdn Berhad ("HPM")	3,005,273
Hong Leong Industries Berhad ("HLI")	2,188,500
MPI (BVI) Limited ("MPI(BVI)")	2,772,100

GLLM was wholly owned by GuocoLand Limited ("GLL") which was in turn 51.93% owned by Guoco Investment Pte Ltd ("GIPL"). GIPL was wholly owned by the Company. MPI(BVI) was wholly owned by Malaysian Pacific Industries Berhad which was in turn 56.11% owned by HLI. HLI was 60.40% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HPM was wholly owned by Hume Industries (Malaysia) Berhad which was in turn 64.50% owned by HLCM.

The respective controlling shareholders of the Company, HLCM and Guoinvest as well as their respective percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLCM Capital and its percentage control are shown in Note 1 under Part (B)(b) above.

- The total interests of 162,700 shares/underlying shares comprised 152,700 ordinary shares of GLM and 10,000 underlying shares of listed physically settled options issued by GLM.

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

e) Hong Leong Industries Berhad ("HLI")

Director	Number of *shares/underlying shares (Long Position)/ Amount of Debentures			Notes	Approx. % of the issued share capital of HLI
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	2,552,000	157,125,835	159,677,835	1	73.45%
Kwek Leng Hai	215,312	—	215,312	2	0.10%
	MYR165,000	—	MYR165,000	3	N/A
Sat Pal Khattar	208,580	—	208,580	4	0.10%
	MYR171,000	—	MYR171,000	3	N/A
Kwek Leng San	1,800,000	—	1,800,000	5	0.83%
	MYR1,550,000	—	MYR1,550,000	3	N/A

* Ordinary shares unless otherwise specified in the Notes

Notes:

- The total interests of 159,677,835 shares/underlying shares comprised 134,832,000 ordinary shares of HLI and 24,845,835 underlying shares of listed physically settled options issued by HLI.

The corporate interests of 157,125,835 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	154,893,972
Hong Leong Management Co Sdn Bhd ("HLMC")	46,703
Hong Leong Assurance Berhad ("HLA")	1,935,483
Hong Leong Bank Berhad ("HLBB")	249,677

HLBB was approximately 60.22% owned by Hong Leong Credit Berhad ("HLCB") which wholly owned HLA. HLCB was 78.19% owned by HLCM.

The controlling shareholders of HLCM and their percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLMC (renamed as HLCM Capital Sdn Bhd) and its percentage control are shown in Note 1 under Part (B)(b) above.

- The total interests of 215,312 shares/underlying shares comprised 163,200 ordinary shares of HLI and 52,112 underlying shares of listed physically settled options issued by HLI.

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

e) *Hong Leong Industries Berhad ("HLI")* (continued)

Notes: (continued)

3. These debentures were freely transferable and convertible into shares of HLI.
4. The total interests of 208,580 shares/underlying shares comprised 171,000 ordinary shares of HLI and 37,580 underlying shares of listed physically settled options issued by HLI.
5. The total interests of 1,800,000 shares/underlying shares comprised 1,550,000 ordinary shares of HLI and 250,000 underlying shares of listed physically settled options issued by HLI.

f) *Hong Leong Bank Berhad ("HLBB")*

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLBB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	40,000	953,685,600	953,725,600 <i>Note</i>	62.67%
Kwek Leng Hai	3,955,700	—	3,955,700	0.26%
Sat Pal Khattar	294,000	—	294,000	0.02%
Kwek Leng San	385,000	—	385,000	0.03%

* *Ordinary shares*

Note:

The corporate interests of 953,685,600 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Credit Berhad ("HLCB")	951,573,500
Hong Leong Assurance Berhad ("HLA")	2,112,100

The respective controlling shareholders of HLA and HLCB as well as their respective percentage controls are shown in Note 1 under Part (B)(e) above.

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

g) HLG Capital Berhad ("HLGC")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLGC
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	500,000	—	500,000	0.41%
Kwek Leng San	119,000	—	119,000	0.10%

* Ordinary shares

h) Malaysian Pacific Industries Berhad ("MPI")

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of MPI
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	53,500	116,292,309	116,345,809 <i>Note</i>	58.49%
Sat Pal Khattar	210,000	—	210,000	0.11%
Kwek Leng San	315,000	—	315,000	0.16%

* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 116,345,809 shares/underlying shares comprised 114,000,309 ordinary shares of MPI and 2,345,500 underlying shares of other unlisted derivatives.

The corporate interests of 116,292,309 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Industries Berhad ("HLI")	111,609,547
Guoinvest International Limited ("Guoinvest")	2,345,500
Hongvest Sdn Bhd ("Hongvest")	735,000
Hong Leong Nominees Sendirian Berhad ("HLN")	6,462
Hong Leong Assurance Berhad ("HLA")	1,345,800
Hong Leong Bank Berhad ("HLBB")	250,000

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

h) *Malaysian Pacific Industries Berhad ("MPI")* (continued)

Note: (continued)

Hongvest was wholly owned by MPI Holdings Sdn Bhd which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM").

The respective controlling shareholders of HLCM and Guinvest as well as their respective percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLN and its percentage control are shown in Note 1 under Part (B)(c) above.

The controlling shareholder of HLI and its percentage control are shown in Note 1 under Part (B)(d) above.

The respective controlling shareholders of HLA and HLBB as well as their respective percentage controls are shown in Note 1 under Part (B)(e) above.

i) *Hume Industries (Malaysia) Berhad ("HIMB")*

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HIMB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	4,034,000	118,110,828	122,144,828 <i>Note</i>	66.72%
Sat Pal Khattar	200,000	—	200,000	0.11%

* *Ordinary shares*

Note:

The corporate interests of 118,110,828 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	116,937,027
HLCM Capital Sdn Bhd ("HLCM Capital")	19,401
Hong Leong Assurance Berhad ("HLA")	1,154,400

The controlling shareholders of HLCM and their percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLCM Capital and its percentage control are shown in Note 1 of Part (B)(b) above.

The controlling shareholding of HLA and its percentage control are shown in Note 1 of Part (B)(e) above.

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

j) *Narra Industries Berhad ("NIB")*

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of NIB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	8,170,200	38,304,000	46,474,200 <i>Note</i>	74.73%

* *Ordinary shares*

Note:

The corporate interests of 38,304,000 shares were directly held by Hume Industries (Malaysia) Berhad ("HIMB"). The controlling shareholder of HIMB and its percentage control are shown in Note 1 of Part (B)(d) above.

k) *Lam Soon (Hong Kong) Limited ("LSHK")*

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of LSHK
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	2,300,000	—	2,300,000	0.95%
Tan Lim Heng	274,000	—	274,000	0.11%
James Eng, Jr.	619,000	—	619,000	0.25%

* *Ordinary shares*

l) *BIL International Limited ("BIL")*

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of BIL
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	150,000	824,679,543	824,829,543	60.29%

* *Ordinary shares unless otherwise specified in the Note*

Note:

The total interests of 824,829,543 shares/underlying shares comprised 690,982,043 ordinary shares of BIL, 75,000,000 underlying shares of unlisted cash settled options issued by BIL and 58,847,500 underlying shares of other unlisted derivatives.

The corporate interests of 824,679,543 shares/underlying shares comprised the respective direct interests held by:

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(B) Associated Corporations (continued)

1) *BIL International Limited ("BIL")* (continued)*Note:* (continued)

	Number of shares/underlying shares
Guoinvest International Limited ("Guoinvest")	11,027,000
GuoLine Overseas Limited ("GOL")	47,820,500
Checkenden Limited ("Checkenden")	25,000,000
First Capital Assets (BVI) Limited ("FCA(BVI)")	75,000,000
Asia Fountain Investment Company Limited ("AFI")	74,247,242
Camerlin Group Berhad ("CGB")	31,845,810
Camerlin Holdings Sdn Bhd ("CHSB")	269,742,547
Camerlin Investments Limited ("CIL")	2,972,850
High Glory Investments Limited ("HGIL")	287,023,594

The respective controlling shareholders of Guoinvest and GOL as well as their respective percentage controls are shown in the Note under Part (A) above.

Checkenden and FCA(BVI) were wholly owned by GuocoLand Limited ("GLL"). The controlling shareholder of GLL and its percentage control are shown in Note 1 under Part (B)(d) above.

The controlling shareholder of AFI and its percentage control are shown in Note 1 under Part (B)(b) above.

CHSB and CIL were wholly owned by CGB. CGB was 42.33% owned by Brightspring Holdings Limited which was in turn wholly owned by the Company. HGIL was wholly owned by the Company. The controlling shareholder of the Company and its percentage control are shown in the Note under Part (A) above.

(C) Others

The associated corporations in which Mr Quek Leng Chan was deemed to be interested solely through his deemed controlling interests in HLCM and/or its subsidiaries were as follows:

Guoman Hotel & Resort Holdings Sdn Bhd	MEHY Sdn Bhd
Luck Hock Venture Holdings, Inc.	RZA Logistics Sdn Bhd
Carsem (M) Sdn Bhd	Lam Soon (Hong Kong) Limited
Carter Realty Sdn Bhd	LS Golden Oils & Fats Limited
Guolene Packaging Industries Berhad	Kwok Wah Hong Flour Company Limited
Guocera Tile Industries (Meru) Sdn Bhd	M.C. Packaging Offshore Limited
Guocera Tile Industries (Labuan) Sdn Bhd	Lam Soon Ball Yamamura Incorporation
Hong Leong Fund Management Sdn Bhd	Guangzhou Lam Soon Food Products Limited
Hong Leong Yamaha Distributors Sdn Bhd	Shenzhen Lam Soon Edible Oils Company Limited
Hong Leong Yamaha Motor Sdn Bhd	Shekou Lam Soon Silo Company Limited
Camerlin Group Berhad	HLG Capital Berhad
Global Roaming Communications Sdn Bhd	Hong Leong Industries Berhad*

* In respect of interests in debentures only

SUPPLEMENTARY INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(C) Others (continued)

The Company applied for and the Stock Exchange granted a waiver from full compliance with the disclosure requirements in respect of details of the deemed interests of Mr Quek Leng Chan in the above associated corporations under Paragraph 13 of Appendix 16 to the Listing Rules.

Certain directors hold shares in certain subsidiaries in trust for other subsidiaries of the Company.

Save as disclosed above, as at 31 December 2005, none of the directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

SHARE OPTIONS

The Company

Share Option Scheme

A share option scheme (the "Share Option Scheme") was adopted by the Company on 29 November 2001 to provide for the grant of options over new shares of the Company to employees and directors of the Company and any of its subsidiaries and associated companies (the "Eligible Employees").

No option has ever been granted to any Eligible Employee pursuant to the Share Option Scheme up to 31 December 2005.

Share Option Plan

On 16 December 2002, the Company adopted a share option plan (the "Share Option Plan") allowing the grant of options over existing shares of the Company to employees and directors of the group companies and employees of associated companies (the "Participants").

No option has ever been granted to any Participant pursuant to the Share Option Plan up to 31 December 2005.

GuocoLand Limited ("GLL")

The GuocoLand Limited Executives' Share Option Scheme (the "ESOS") was approved by the shareholders of GLL on 31 December 1998 and further approved by the shareholders of the Company on 1 February 1999.

In October 2004, the approval of shareholders of GLL and the Company were sought to effect various amendments to the rules of the ESOS (the "Rules") to, inter alia, allow grant of options over both newly issued and existing shares of GLL and to align the Rules with Chapter 17 of the Listing Rules (the "Modified ESOS").

SUPPLEMENTARY INFORMATION (CONTINUED)**SHARE OPTIONS (continued)****GuocoLand Limited (“GLL”) (continued)**

As at 1 July 2005, there were 18,500,000 outstanding options pursuant to the Modified ESOS, particulars of which are as follows:

Date of Grant	Grantee	No. of GLL Shares comprised in Options	Exercise Price per GLL Share	Notes
1 November 2004	selected key executives of GLL	12,500,000	S\$1.19	1
30 May 2005	selected key executive of GLL	6,000,000	S\$1.32	2

Notes:

1. Subject to certain financial and performance targets being met by the grantees during the performance period for the financial years 2004/05 to 2006/07, the grantees may, at any time after 1 July 2007 or, at such other time as may be prescribed by the ESOS Committee at its sole discretion, be notified (“Date of Notification”) of the vesting of the options and the number of GLL shares comprised in the vested options. Thereafter, the grantees shall have an exercise period of up to two years from the Date of Notification, or such other period as may be prescribed by the ESOS Committee at its sole discretion, to exercise the vested options in accordance with the terms of their grant.
2. Under the terms of the grant, a first tranche of 2,000,000 GLL shares may be exercised at any time within one year from the first anniversary of the date of grant, or such other period as may be prescribed by the ESOS Committee at its sole discretion. Subject to certain financial and performance targets being met by the grantee during the performance period for the financial years 2005/06 to 2006/07, the grantee shall have an exercise period of up to two years from the date of vesting, or such other period as may be prescribed by the ESOS Committee at its sole discretion, to exercise the vested option of up to the remaining 4,000,000 GLL shares in accordance with the terms of the grant.

During the period, no options were vested nor had lapsed, and no new options were granted. Accordingly, the number of outstanding options remained at 18,500,000 as at 31 December 2005.

BIL International Limited (“BIL”, subsidiary of the Company since 21 October 2005)***The BIL International Share Option Plan (the “BIL Plan”)***

The BIL Plan was approved by the shareholders of BIL in 2001 to allow the grant of options to eligible participants including employees and executive and non-executive directors of BIL and its subsidiaries (the “BIL Group”) who are not controlling shareholders of BIL.

There were no outstanding options pursuant to the BIL Plan as at 1 July 2005 and 31 December 2005, and no option has been granted to any eligible participants pursuant to the BIL Plan during the period.

SUPPLEMENTARY INFORMATION (CONTINUED)**SHARE OPTIONS (continued)****BIL International Limited (“BIL”, subsidiary of the Company since 21 October 2005) (continued)***The BIL Value Creation Incentive Share Scheme (the “BIL Scheme”)*

The BIL Scheme is a share incentive scheme and was approved by the board of directors of BIL in 2003. Under the BIL Scheme, options over existing shares of BIL may be issued to eligible participants including employees and executive directors of the BIL Group.

As at 1 July 2005, 7,600,000 options at an exercise price of S\$0.47 per BIL share were outstanding (the “Relevant Options”), which were granted on 12 May 2003. Out of the Relevant Options, 1,216,000 options lapsed during the period. The respective exercise periods for the balancing Relevant Options are as follows:

Exercise Period	No. of Options
6 September 2005 to 5 September 2006	2,550,000
29 October 2005 to 28 October 2006	2,280,000
28 April 2006 to 27 April 2007	1,520,000
6 September 2006 to 5 September 2007	34,000

During the period, 6,250,000 options were exercised on 13 September 2005 and 60,000 options were exercised on 29 October 2005.

As no new options were granted pursuant to the BIL Scheme during the period, there were 74,000 outstanding options as at 31 December 2005.

Apart from the above, at no time during the period was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUPPLEMENTARY INFORMATION (CONTINUED)

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2005, other than the interests and short positions of the directors of the Company disclosed above, the persons who had interests or short positions in the shares and underlying shares of 5% or more in the Company's issued share capital as recorded in the register maintained by the Company under Section 336 of the SFO are as follows:

Shareholders	Capacity	Number of shares/underlying shares (Long Position)	Notes	Approx. % of the issued share capital
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	226,920,157	1	68.96%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	226,920,157	2 & 3	68.96%
Hong Leong Investment Holdings Pte Ltd ("HLInv")	Interest of controlled corporations	226,920,157	2 & 4	68.96%
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	226,920,157	2 & 5	68.96%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	226,920,157	2 & 6	68.96%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	226,920,157	2 & 7	68.96%
Arnhold and S. Bleichroeder Advisers, LLC	Investment Manager	16,483,000		5.01%
Third Avenue Management LLC	Investment Manager	16,535,300		5.03%

SUPPLEMENTARY INFORMATION (CONTINUED)

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (continued)

Notes:

- These interests comprised 219,061,309 ordinary shares of the Company and 7,858,848 underlying shares of unlisted cash settled derivatives.

These interests comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
Guoinvest International Limited ("Guoinvest")	6,425,000
Asian Financial Common Wealth Limited ("AFCW")	3,481,862

AFCW was wholly owned by the Company which was in turn 65.52% owned by GOL. GOL and Guoinvest were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by HLCM.

- The interests of HLCM, HLH, HLInv, KH, Davos and KLK are duplicated.
- HLH was deemed to be interested in these interests through its controlling interests in HLCM which was 49.11% owned by HLH (46.68%) and Mr Quek Leng Chan (2.43%).
- HLInv was deemed to be interested in these interests through its controlling interests of 34.49% in HLCM.
- KH was deemed to be interested in these interests through its controlling interests of 49.00% in HLInv.
- Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLInv.
- KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

Save as disclosed above, as at 31 December 2005, the Company had not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to the Part XV of the SFO or as recorded in the register maintained by the Company under Section 336 of the SFO.

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 27 February 2006.

By Order of the Board
Stella Lo Sze Man
 Company Secretary

Hong Kong, 10 February 2006