

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



**ANNOUNCEMENT OF INTERIM RESULTS  
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Six months ended 31 December		
	2016 HK\$'M	2015 HK\$'M	Increase /(decrease)
Turnover	<b>8,901</b>	10,893	(18%)
Revenue	6,416	9,767	(34%)
Profit from operations	3,116	4,580	(32%)
Profit attributable to equity shareholders of the Company	3,052	2,529	21%
	<b>HK\$</b>	<b>HK\$</b>	
Earnings per share	<b>9.39</b>	7.78	21%
Interim dividend per share	1.00	1.00	-
	<b>As at 31 December 2016</b>	<b>As at 30 June 2016</b>	
	<b>HK\$</b>	<b>HK\$</b>	
Equity per share attributable to equity shareholders of the Company	<b>170.13</b>	170.71	-

## RESULTS

The unaudited consolidated results of Guoco Group Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 31 December 2016 together with comparative figures for the corresponding period last year are as follows:

### CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2016 - Unaudited

	Note	2016 HK\$'000	2015 HK\$'000
Turnover	2 & 3	<b>8,900,700</b>	10,892,842
Revenue	2 & 3	<b>6,416,492</b>	9,767,426
Cost of sales		<b>(3,147,575)</b>	(5,168,615)
Other attributable costs		<b>(177,283)</b>	(157,868)
		<b>3,091,634</b>	4,440,943
Other revenue		<b>129,182</b>	230,214
Other net income	4	<b>2,402,778</b>	2,871,662
Administrative and other operating expenses		<b>(2,150,548)</b>	(2,520,517)
Profit from operations before finance costs		<b>3,473,046</b>	5,022,302
Finance costs	2(b) & 5(a)	<b>(357,032)</b>	(442,672)
Profit from operations	2	<b>3,116,014</b>	4,579,630
Valuation surplus on investment properties		-	28,350
Share of profits of associates and joint ventures		<b>639,583</b>	311,411
Profit for the period before taxation	2 & 5	<b>3,755,597</b>	4,919,391
Tax expenses	6	<b>(355,776)</b>	(882,183)
Profit for the period		<b>3,399,821</b>	4,037,208
Attributable to:			
Equity shareholders of the Company		<b>3,052,187</b>	2,528,818
Non-controlling interests		<b>347,634</b>	1,508,390
Profit for the period		<b>3,399,821</b>	4,037,208
Earnings per share		HK\$	HK\$
Basic	8	<b>9.39</b>	7.78
Diluted	8	<b>9.39</b>	7.78

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2016 - Unaudited

	2016 HK\$'000	2015 HK\$'000
<b>Profit for the period</b>	<b>3,399,821</b>	<b>4,037,208</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial losses on defined benefit obligation	-	(977)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	<b>(3,332,837)</b>	(2,830,587)
Exchange translation reserve reclassified to profit or loss upon disposal of subsidiaries	-	(745,922)
Changes in fair value of cash flow hedge	<b>10,127</b>	(22,948)
Changes in fair value of available-for-sale financial assets	<b>17,634</b>	(2,154,368)
Release of revaluation reserve upon disposal of properties	-	(147)
Share of other comprehensive income of associates	<b>22,519</b>	90,667
	<b>(3,282,557)</b>	(5,663,305)
<b>Other comprehensive income for the period, net of tax</b>	<b>(3,282,557)</b>	(5,664,282)
<b>Total comprehensive income for the period</b>	<b>117,264</b>	(1,627,074)
<b>Total comprehensive income for the period attributable to:</b>		
Equity shareholders of the Company	<b>817,239</b>	(2,031,144)
Non-controlling interests	<b>(699,975)</b>	404,070
	<b>117,264</b>	(1,627,074)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	At 31 December 2016 (Unaudited) Note	At 30 June 2016 (Audited)
	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>		
Investment properties	15,768,225	16,368,835
Other property, plant and equipment	12,015,606	13,093,736
Interest in associates and joint ventures	7,690,820	7,932,862
Available-for-sale financial assets	12,772,956	12,647,934
Deferred tax assets	535,565	383,007
Intangible assets	7,209,715	7,892,631
Goodwill	1,014,382	1,112,212
Pensions surplus	32,088	20,407
	<u>57,039,357</u>	<u>59,451,624</u>
<b>CURRENT ASSETS</b>		
Development properties	15,423,321	12,309,519
Properties held for sale	4,794,452	5,881,436
Trade and other receivables	9 3,436,717	4,018,355
Trading financial assets	14,444,059	13,495,039
Cash and short term funds	20,175,224	18,976,235
	<u>58,273,773</u>	<u>54,680,584</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	10 5,534,146	6,099,452
Bank loans and other borrowings	22,771,764	14,653,395
Taxation	736,181	887,631
Provisions and other liabilities	107,656	103,197
	<u>29,149,747</u>	<u>21,743,675</u>
<b>NET CURRENT ASSETS</b>	<u>29,124,026</u>	<u>32,936,909</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>86,163,383</u>	<u>92,388,533</u>
<b>NON-CURRENT LIABILITIES</b>		
Bank loans and other borrowings	14,504,878	19,849,621
Amount due to non-controlling interests	1,716,668	1,207,626
Provisions and other liabilities	311,824	491,992
Deferred tax liabilities	403,792	381,238
	<u>16,937,162</u>	<u>21,930,477</u>
<b>NET ASSETS</b>	<u>69,226,221</u>	<u>70,458,056</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,275,817	1,276,582
Reserves	54,705,121	54,896,149
Total equity attributable to equity shareholders of the Company	55,980,938	56,172,731
Non-controlling interests	13,245,283	14,285,325
<b>TOTAL EQUITY</b>	<u>69,226,221</u>	<u>70,458,056</u>

## Notes:

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on 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 2015/16 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016/17 annual financial statements.

The Group has adopted all new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, issued by the HKICPA that are mandatory for application for the current accounting period of the Group. The adoption of the new standards, amendments to standards and interpretations that are relevant to the Group had no material impact on the results and financial position of the Group.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015/16 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited. The financial information relating to the financial year ended 30 June 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2016 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 <http://www.guoco.com>. The auditors expressed an unqualified opinion on those financial statements in their report dated 30 August 2016.

The consolidated financial statements of the Group are expressed in the United States dollars ("USD"), which is the functional currency of the Company. The Hong Kong dollar ("HKD") figures presented in the sections entitled "FINANCIAL HIGHLIGHTS" and "RESULTS" above are the HKD equivalents of the corresponding USD figures in the consolidated financial statements, which are translated at the rates prevailing at the respective financial period/year ends for presentation purposes only (31 December 2016: US\$1 = HK\$7.7545, 30 June 2016: US\$1 = HK\$7.75915, 31 December 2015: US\$1 = HK\$7.7500).

## 2. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's senior executive management, the Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units engage in different business activities, offer different products and services and are managed separately. The following summary describes the operations in each segment:

<b>Segment</b>	<b>Business activities</b>	<b>Operated by</b>
Principal investment:	This segment covers equity and direct investments as well as treasury operations, with trading and strategic investments in global capital markets.	Subsidiaries
Property development and investment:	This segment involves development of residential and commercial properties and holding properties for rental income in the key geographical markets of Singapore, China, Malaysia, Vietnam and Hong Kong.	Subsidiaries, associates and joint ventures
Hospitality and leisure:	This segment owns, leases or manages hotels and operates gaming and leisure businesses in the United Kingdom, Spain and Belgium.	Subsidiaries
Financial services:	This segment covers commercial and consumer banking, Islamic banking, investment banking, life and general insurance, Takaful insurance, fund management and unit trust, corporate advisory services and stockbroking.	Associate
Oil and gas:	This segment receives royalty income from the entitlement of Bass Strait's oil and gas production in Australia.	Subsidiary

Performance is evaluated on the basis of profit or loss from operations before taxation. Inter-segment pricing is determined on an arm's length basis. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from the financial year 2015/16.

## 2. SEGMENT REPORTING (cont'd)

Information regarding the Group's reportable segments for the period is set out below.

### (a) Reportable segment revenue and profit or loss (unaudited)

	Principal investment HK\$'000	Property development and investment HK\$'000	Hospitality and leisure HK\$'000	Financial services HK\$'000	Oil and gas HK\$'000	Total HK\$'000
<b>For the six months ended 31 December 2016</b>						
Turnover	<b>2,832,137</b>	<b>1,162,461</b>	<b>4,906,102</b>	-	-	<b>8,900,700</b>
Revenue from external customers	<b>347,929</b>	<b>1,162,461</b>	<b>4,906,102</b>	-	-	<b>6,416,492</b>
Inter-segment revenue	<b>5,653</b>	<b>597</b>	-	-	-	<b>6,250</b>
Reportable segment revenue	<b>353,582</b>	<b>1,163,058</b>	<b>4,906,102</b>	-	-	<b>6,422,742</b>
Operating profit	<b>2,465,109</b>	<b>330,194</b>	<b>593,591</b>	-	<b>89,805</b>	<b>3,478,699</b>
Finance costs	<b>(148,724)</b>	<b>(146,761)</b>	<b>(67,200)</b>	-	-	<b>(362,685)</b>
Share of profits of associates and joint ventures	-	<b>254,805</b>	-	<b>384,778</b>	-	<b>639,583</b>
Profit before taxation	<b>2,316,385</b>	<b>438,238</b>	<b>526,391</b>	<b>384,778</b>	<b>89,805</b>	<b>3,755,597</b>
<b>For the six months ended 31 December 2015</b>						
Turnover	1,507,925	3,489,205	5,866,843	28,869	-	10,892,842
Revenue from external customers	382,509	3,489,205	5,866,843	28,869	-	9,767,426
Inter-segment revenue	17,655	5,255	-	2,588	-	25,498
Reportable segment revenue	400,164	3,494,460	5,866,843	31,457	-	9,792,924
Operating profit/(loss)	(192,494)	4,162,897	982,421	(2,682)	81,429	5,031,571
Finance costs	(153,675)	(197,315)	(96,170)	(4,781)	-	(451,941)
Valuation surplus on investment properties	-	28,350	-	-	-	28,350
Share of profits of associates and joint ventures	-	8,673	-	302,738	-	311,411
Profit/(loss) before taxation	(346,169)	4,002,605	886,251	295,275	81,429	4,919,391

## 2. SEGMENT REPORTING (cont'd)

### (b) Reconciliations of reportable segment revenue and finance costs (unaudited)

#### Revenue

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Reportable segment revenue	6,422,742	9,792,924
Elimination of inter-segment revenue	<u>(6,250)</u>	<u>(25,498)</u>
Consolidated revenue (note 3)	<u><u>6,416,492</u></u>	<u><u>9,767,426</u></u>

#### Finance costs

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Reportable finance costs	362,685	451,941
Elimination of inter-segment finance costs	<u>(5,653)</u>	<u>(9,269)</u>
Consolidated finance costs (note 5(a))	<u><u>357,032</u></u>	<u><u>442,672</u></u>



## 2. SEGMENT REPORTING (cont'd)

### (c) Geographical information (unaudited)

The following table illustrates the geographical location of the Group's revenue from external customers and profit/(loss) from operations. The geographical information is classified by reference to the location of the income generating entities.

	Revenue from external customers		Profit/(loss) from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China				
- Hong Kong	360,972	413,393	2,324,396	(361,460)
- Mainland China	93,224	1,351,305	5,940	3,651,505
United Kingdom and Continental Europe	4,795,484	5,764,264	541,822	889,212
Singapore	1,005,193	1,812,051	(Note) 180,191	208,537
Australasia and others	161,619	426,413	63,665	191,836
	<b>6,416,492</b>	<b>9,767,426</b>	<b>3,116,014</b>	<b>4,579,630</b>

Note:

The Group's financial statements have been prepared in accordance with all applicable HKFRSs and at Group level, revenue arising from the sale of properties has been recognised upon completion of development projects.

The subsidiary, GuocoLand Limited ("GuocoLand") has adopted the Singapore Interpretation of Financial Reporting Standard No. 115 Agreements for the Construction of Real Estate and the accompanying practice note issued specifically in the context of the sale of development properties in Singapore. Consequently, GuocoLand continues to adopt the percentage of completion method of revenue recognition for residential projects under progressive payment schemes in Singapore. For residential projects under deferred payment schemes in Singapore and overseas, the revenue and expenses are accounted for under the completion of construction method.

Accordingly, operating profits of GuocoLand for the period amounting to HK\$191.5 million (2015: HK\$44.2 million) in Singapore have been deferred for recognition in the Group's consolidated financial statements. The Group has not recognised any operating profits of GuocoLand for the period (2015: Nil) which have been deferred in previous years. Up to 31 December 2016, accumulated operating profits of GuocoLand totalling HK\$345.9 million (2015: HK\$60.5 million) in Singapore have been deferred for recognition, and will be recognised by the Group upon completion of the relevant development projects in subsequent years.

### 3. TURNOVER AND REVENUE

The amount of each significant category of turnover and revenue is as follows:

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from sale of properties	936,759	3,377,288
Revenue from hospitality and leisure	4,902,286	5,861,457
Interest income	98,025	124,550
Dividend income	309,149	318,114
Rental income from properties	141,031	56,420
Securities commission and brokerage	-	15,337
Others	29,242	14,260
	<u>6,416,492</u>	<u>9,767,426</u>
Revenue	6,416,492	9,767,426
Proceeds from sale of investments in securities	2,484,208	1,125,416
	<u>8,900,700</u>	<u>10,892,842</u>
Turnover	<u>8,900,700</u>	<u>10,892,842</u>

### 4. OTHER NET INCOME

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net realised and unrealised gains/(losses) on trading financial assets	2,180,255	(516,390)
Net realised and unrealised (losses)/gains on derivative financial instruments	(11,888)	1,217
Net gains on foreign exchange contracts	128,190	128,681
Other exchange gains/(losses)	128,391	(18,577)
Net (losses)/gains on disposal of property, plant and equipment	(26,257)	72,129
Net gains on disposal of subsidiaries	-	3,197,170
Other income	4,087	7,432
	<u>2,402,778</u>	<u>2,871,662</u>

## 5. PROFIT FOR THE PERIOD BEFORE TAXATION

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

(a) Finance costs	Six months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank loans and other borrowings	546,103	672,893
Other borrowing costs	18,424	62,992
Total borrowing costs	<u>564,527</u>	<u>735,885</u>
Less: borrowing costs capitalised into:		
- development properties	(118,171)	(97,332)
- investment properties	(62,175)	(175,274)
- other property, plant and equipment	(27,149)	(20,607)
Total borrowing costs capitalised (Note)	<u>(207,495)</u>	<u>(293,213)</u>
	<u>357,032</u>	<u>442,672</u>

Note: These borrowing costs have been capitalised at rates of 1.11% to 8.00% per annum (2015: 2.06% to 8.00%).

(b) Staff cost	Six months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Contributions to defined contribution retirement plans	37,757	44,524
Expenses recognised in respect of defined benefit retirement plans	837	876
Share-based payment expenses (reversed)/recognised	(14,439)	17,422
Salaries, wages and other benefits	1,523,100	1,814,282
	<u>1,547,255</u>	<u>1,877,104</u>

(c) Other items	Six months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation	282,621	337,861
Amortisation		
- casino licences and brand names	5,777	5,658
- Bass Strait oil and gas royalty	12,492	11,951
- other intangible assets	43,472	42,710
	<u>(141,031)</u>	<u>(56,420)</u>
Gross rental income from investment properties	59,175	20,003
Less: direct outgoings		
Net rental income	<u>(81,856)</u>	<u>(36,417)</u>

## 6. TAX EXPENSES

Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax - Hong Kong Profits Tax	1,675	3,604
Current tax - Overseas	472,784	940,711
Deferred taxation	(118,683)	(62,132)
	<u>355,776</u>	<u>882,183</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2015: 16.5%) to the profits for the six months ended 31 December 2016. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

## 7. DIVIDENDS

	Six months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Dividends payable/paid in respect of the current year:		
- Interim dividend declared of HK\$1.00 (2015: HK\$1.00) per ordinary share	<u>329,054</u>	<u>329,050</u>
Dividends paid in respect of the prior year:		
- Final dividend of HK\$3.00 (2015: HK\$3.00) per ordinary share	<u>974,973</u>	<u>975,043</u>

The interim dividend declared for the year ending 30 June 2017 of HK\$329,054,000 (2016: HK\$329,050,000) is calculated based on 329,051,373 ordinary shares (2015: 329,051,373 ordinary shares) in issue at 31 December 2016.

The interim dividend declared after the interim period has not been recognised as a liability at the end of the interim reporting period in the accounts.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$3,052,187,000 (2015: HK\$2,528,818,000) and the weighted average number of 325,024,511 ordinary shares (2015: 325,024,511 ordinary shares) in issue during the period.

### (b) Diluted earnings per share

For the six months ended 31 December 2016 and 2015, the diluted earnings per share equalled the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the periods.

## 9. TRADE AND OTHER RECEIVABLES

	At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000
Trade debtors	612,450	501,939
Accrued receivables for sales consideration not yet billed on completed development properties	123,731	1,044,777
Other receivables, deposits and prepayments	1,592,735	2,073,998
Derivative financial instruments, at fair value	1,068,400	375,830
Interest receivables	39,401	21,811
	<u>3,436,717</u>	<u>4,018,355</u>

Included in trade and other receivables is HK\$88.4 million (30 June 2016: HK\$93.9 million) which is expected to be recovered after one year.

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows :

	At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000
Within 1 month	365,113	405,276
1 to 3 months	189,938	71,981
More than 3 months	57,399	24,682
	<u>612,450</u>	<u>501,939</u>

## 10. TRADE AND OTHER PAYABLES

	<b>At 31 December 2016 (Unaudited) HK\$'000</b>	At 30 June 2016 (Audited) HK\$'000
Trade creditors	<b>931,633</b>	1,488,236
Other payables and accrued operating expenses	<b>4,053,114</b>	3,876,937
Derivative financial instruments, at fair value	<b>446,310</b>	587,794
Amounts due to fellow subsidiaries	<b>102,848</b>	146,066
Amounts due to associates	<b>233</b>	419
Amounts due to joint ventures	<b>8</b>	-
	<b><u>5,534,146</u></b>	<b><u>6,099,452</u></b>

Included in trade and other payables is HK\$717.3 million (30 June 2016: HK\$848.9 million) which is expected to be payable after one year.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At 31 December 2016 (Unaudited) HK\$'000</b>	At 30 June 2016 (Audited) HK\$'000
Within 1 month	<b>865,480</b>	1,433,317
1 to 3 months	<b>26,730</b>	19,219
More than 3 months	<b>39,423</b>	35,700
	<b><u>931,633</u></b>	<b><u>1,488,236</u></b>

The amounts due to fellow subsidiaries, associates and joint ventures are unsecured, interest free and have no fixed repayment terms.

## **INTERIM DIVIDEND**

The Directors have declared an interim dividend of HK\$1.00 per share amounting to approximately HK\$329 million (2015/2016 interim dividend: HK\$1.00 per share amounting to approximately HK\$329 million) for the financial year ending 30 June 2017 which will be payable on Monday, 27 March 2017 to the shareholders whose names appear on the Register of Members on Friday, 17 March 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

The unaudited consolidated profit attributable to equity shareholders for the six months ended 31 December 2016, after taxation and non-controlling interests, amounted to HK\$3,052 million, up 21% as compared to HK\$2,529 million for the previous corresponding period. Basic earnings per share amounted to HK\$9.39.

For the six months ended 31 December 2016, profit before taxation was generated from the following sources:

- a net operating profit of HK\$2,465 million from principal investment;
- hospitality and leisure of HK\$594 million;
- property development and investment of HK\$585 million;
- financial services of HK\$385 million;
- oil and gas royalty of HK\$90 million;

and were offset by HK\$363 million of finance costs.

Revenue decreased by 34% to HK\$6.4 billion. The decrease was mainly resulted from the decline of property development and investment sector of HK\$2.3 billion.

### **Review of operations**

#### **Principal Investment**

The six months under review was a period of the improbable. The Brexit vote in late June and the U.S. presidential election result in early November led to equity markets sell-offs, albeit temporary, before recovering to higher levels by end of 2016. The Company's investment portfolio benefited from the price improvement as compared to June 2016 and the results were further enhanced through opportunities presented by the volatility in the market. Our treasury team made a positive contribution in managing the foreign currency exposures of the investment portfolio and through deployment of yield-enhancement strategies, reduced the overall net interest expense of the Group.

We will continue to identify and invest in undervalued stocks with capital appreciation potential and whose dividend will supplement the annual cash returns. Furthermore, we will continue to risk manage and optimize returns through active management of our foreign exchange and interest rate exposures.

## **Property Development and Investment**

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

GuocoLand ended its half year with a profit attributable to equity holders of S\$82.8 million, as compared to S\$555.5 million for the previous corresponding period. The decrease in profit was primarily due to the one-time gain from disposal of the subsidiaries relating to the Dongzhimen project in the same period last year.

Revenue for the half year ended 31 December 2016 decreased by 36% to S\$434.7 million, largely resulted from the absence of contribution from the sale of an office block in Shanghai Guoson Centre in the previous corresponding period.

Administrative and tax expenses declined by 35% and 83% respectively, in tandem with the drop in activity and profit for the current period.

According to flash estimates released by the Singapore Urban Redevelopment Authority, overall private residential properties prices index has fallen by 0.4% for the fourth quarter of 2016 and 3.0% for full year 2016. While the decline for the full year was smaller than the 3.7% decline recorded in 2015, property consultants do not expect a recovery in home prices in the near term given the muted economic growth outlook and job market uncertainties.

In China, average prices of new homes in 70 cities went up 12.4% year-on-year in December 2016, following a 12.6% rise in November and marking the 15th straight month of gains. Since December 2016, local governments in some smaller cities have stepped up buying restrictions and further raised down-payment requirements for first and second homes. Previously in early October, local authorities in more than 20 cities rolled out a raft of cooling measures to tame fast-rising home prices.

In Malaysia, uncertainties in the local and global economy and weak household sentiments prevail. The challenging operating conditions are expected to continue.

GuocoLand will continue its focus on sales and leasing of its current projects.

## **Hospitality and Leisure**

### ***GL Limited (“GL”)***

GL recorded a profit after tax of US\$24.5 million for the half year ended 31 December 2016, as compared to US\$51.2 million for the previous corresponding period.

Revenue stood at US\$184.5 million which was 20% below that of the previous corresponding period, principally due to lower revenue generated from the hotel segment resulting from the weakening of GBP/USD exchange rate despite improved RevPAR during the half year. Apart from the above, revenue generated from gaming and property development segments decreased as a result of lower gaming drop and win margin and land disposal respectively during the period.

Cost of sales decreased by 22% as compared to the previous corresponding period. This resulted primarily from the weakening of GBP/USD exchange rate and lower gaming duty associated with the lower gaming revenue during the half year.



Administrative expenses also decreased by 23% for the half year ended 31 December 2016. This was generally attributable to the weakening of GBP/USD exchange rate as well as reflecting the overall cost disciplines of GL.

The increase in other operating expenses was primarily due to the settlement of a legal claim against a subsidiary in the United Kingdom, which provided a guarantee in relation to a hotel property previously leased and operated by another subsidiary. Furthermore, certain company assets and equipments were written off during the period as a result of management's on-going review of hotel business strategies for future growth.

The recent volatility in the hotel industry is expected to remain in the months ahead. In spite of such volatility, GL's hotel RevPAR for the half year improved by 3% as compared to the previous corresponding period on the back of a 5% improvement in average room rate. The weakness in the British Pound could provide a boost for inbound travel into the United Kingdom, but at the same time adversely impact GL's revenue growth in its hotel division and the carrying value of its hotel properties in USD terms. While maintaining a cautious outlook, GL will continue with its hotel refurbishment programme and expects to launch three refurbished hotels next year.

In the global oil market, oil prices have recovered from the lows of the previous financial year, and are range-bound. The price of oil will continue to impact GL's oil and gas royalty revenues.

### ***The Rank Group Plc ("Rank")***

Rank recorded a profit after tax (before exceptional items) for the six months ended 31 December 2016 of GBP27.3 million, a decrease of 14% as compared to the previous corresponding period.

Statutory revenue grew by 1% to GBP355.3 million, with good growth in digital revenue offset by a 2% fall in Mecca Bingo venues (following the closure of a number of under-performing venues) and a 2% fall in Grosvenor Casinos. Both retail businesses faced challenging trading conditions and, although they grew their respective market shares, combined like-for-like retail revenue was flat.

Operating profit before exceptional items of GBP36.6 million was down by GBP3.8 million with the increase in revenue being offset by increased inflationary and employment costs. Mecca Bingo venues saw profits decline by 7% due to lower revenue and higher employment costs, following the introduction of the National Living Wage. Grosvenor Casinos suffered a 16% fall in profit with revenue falling due to lower customer visitation and with increased costs, particularly in employment. Digital profit fell by 9% with the solid revenue growth being absorbed by increased costs to support the launch of the new digital platform and investment to support continued revenue growth.

The net credit on exceptional items of GBP0.8 million comprised a GBP10.7 million credit following the successful exit of an onerous bingo club lease, a net GBP4.1 million in impairment charges (primarily related to an under-performing provincial casino), GBP3.8 million in restructuring costs and GBP1.0 million in abortive acquisition and club closure costs along with GBP1.0 million in tax.

Despite increased inflationary and employment costs, Rank has detailed plans to improve its operating profit for the second half of the financial year and it remains confident that it will make good strategic progress in 2017.

## **Financial Services**

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

HLFG Group achieved a profit before tax of RM1,558.0 million for the period ended 31 December 2016, an increase of RM373.7 million or 32% as compared to the previous corresponding period. Excluding the one-off Mutual Separation Scheme expense in the previous corresponding period, HLFG's profit before tax increased by RM202.0 million or 15%. The improved financial performance came from higher profit contributions across all operating divisions.

The commercial banking division recorded a profit before tax of RM1,371.2 million for the period, an increase of RM320.6 million or 31% versus the previous corresponding period. The increase was primarily due to higher revenue of RM178.2 million, lower other operating expenses of RM129.5 million, lower charge on allowance for impairment losses on loans, advances and financing of RM32.6 million. This is however mitigated by higher allowance for impairment losses on financial investments of RM6.7 million and lower share of profit from an associated company of RM14.5 million. Contributions from Bank of Chengdu Co., Limited and the Sichuan Jincheng Consumer Finance joint venture of RM140.8 million represented 10% of the division's profit before tax results as compared to 15% of last year.

The insurance division registered a profit before tax of RM189.2 million for the period ended 31 December 2016, an increase of RM58.1 million or 44% versus the previous corresponding period. The increase was mostly due to lower actuarial reserve provisioning of RM24.3 million, higher revenue of RM26.1 million, lower allowance for impairment losses on securities of RM16.7 million and higher share of profit from an associated company of RM1.1 million. This is however offset by higher operating expenses of RM10.1 million.

The investment banking division recorded a profit before tax of RM39.9 million for the period ended 31 December 2016, an increase of RM5.6 million or 16% versus the previous corresponding period, due to higher contribution from the investment banking and stockbroking segments.

## **GROUP FINANCIAL COMMENTARY**

### **Capital Management**

The Group's consolidated total equity attributable to equity shareholders of the Company as at 31 December 2016 amounted to HK\$56.0 billion, a decrease of HK\$192 million as compared to 30 June 2016.

The equity-debt ratio as at 31 December 2016 is arrived at as follows:

	HK\$'M
Total borrowings	37,277
Less: Cash and short term funds	(20,175)
Trading financial assets	<u>(14,444)</u>
Net debt	<u>2,658</u>
Total equity attributable to equity shareholders of the Company	<u>55,981</u>
Equity-debt ratio	<u>95 : 5</u>

The Group's total cash balance and trading financial assets were mainly in USD (25%), JPY (22%), RMB (17%), HKD (12%), GBP (10%) and SGD (10%).

### Total Borrowings

The increase in total borrowings from HK\$34.5 billion as at 30 June 2016 to HK\$37.3 billion as at 31 December 2016 was primarily due to the drawdown of additional bank loans by GuocoLand to support its operating activities. The Group's total borrowings are mostly denominated in SGD (59%), USD( 22%), GBP (7%) and MYR (6%).

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

	<b>Bank loans</b>	<b>Mortgage debenture stock</b>	<b>Other borrowings</b>	<b>Total</b>
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Within 1 year or on demand	15,982	-	6,790	22,772
After 1 year but within 2 years	5,455	-	516	5,971
After 2 years but within 5 years	5,644	-	1,633	7,277
After 5 years	684	547	26	1,257
	<u>11,783</u>	<u>547</u>	<u>2,175</u>	<u>14,505</u>
	<u>27,765</u>	<u>547</u>	<u>8,965</u>	<u>37,277</u>

Bank loans, mortgage debenture stock and other borrowings are secured by certain properties, fixed assets and trading financial assets with an aggregate book value of HK\$35.7 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 31 December 2016 amounted to approximately HK\$13.5 billion.

## **Interest Rate Exposure**

The Group's interest rate risk arises from treasury activities and borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. The Group uses interest rate swaps to manage its interest rate exposure as appropriate.

As at 31 December 2016, approximately 72% of the Group's borrowings were at floating rates and the remaining 28% were at fixed rates. The Group had outstanding interest rate swaps with notional amount of HK\$1.9 billion.

## **Foreign Currency Exposure**

The Group from time to time enters into foreign exchange contracts, which are primarily over-the-counter derivatives, principally for hedging foreign currency exposures and investments.

As at 31 December 2016, there were outstanding foreign exchange contracts with a total notional amount of HK\$25.0 billion for hedging of foreign currency equity investments.

## **Equity Price Exposure**

The Group maintains an investment portfolio which comprises majority listed equities. Equity investments are subject to asset allocation limits.

## **Contingent Liabilities**

### ***(a) GuocoLand***

On 20 August 2015, GuocoLand, through its subsidiary, GuocoLand (China) Limited ("GLC"), entered into a Master Transaction Agreement (the "Agreement") to dispose of all the equity, contractual and loan interest of GLC in or relating to the Dongzhimen project in Beijing ("DZM Project"). The Agreement provides that the buyer will indemnify GLC, its affiliates and representatives from and against all actions, losses and liabilities to which any of these parties is or may become subject to arising out of or related to the DZM Project in accordance with the terms and conditions therein.

### ***(b) Rank***

#### ***Property leases***

Concurrent to the GBP211 million (approximately HK\$2,008 million) sale and leaseback in 2006, Rank transferred the rights and obligations but not the legal titles of 44 property leases to a third party. Rank remains potentially liable in the event of default by the third party. Should default occur then Rank would have recourse to two guarantors. It is understood that, of the original 44 leases transferred, 9 of these have not expired or been surrendered. These 9 leases have durations of between 3 months and 96 years and a current annual rental obligation (net of sub-let income) of approximately GBP0.8 million (approximately HK\$10.9 million).

During 2014, Rank became aware of certain information in respect of a change in the financial position of the third party and one of the guarantors. However, Rank has not to date been notified of any default, or intention to default, in respect of the transferred leases.

## **OUTLOOK**

Markets around the world continue to navigate through new political landscapes. Globalisation and protectionism are in search of a new balance. Interest rates are poised to rise further as the U.S. government resorts to deficit spending and the Federal Reserve continues to normalize interest rates. In general, we expect global markets to remain volatile and bond yields to rise.

While our core businesses are expected to face challenging times ahead, they will stay vigilant and continue to enhance their competitiveness to achieve their business targets and sustainable growth.

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

Neither the Company, nor any of its other subsidiaries, purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2016.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The board of directors (the "Board") of the Company has adopted a Code of Corporate Governance Practices (the "CGP Code"), which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the period, the Company has complied with the HKEx Code, save that non-executive directors are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company and the CGP Code. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the HKEx Code.

## **REVIEW BY BOARD AUDIT AND RISK MANAGEMENT COMMITTEE**

The unaudited interim results for the six months ended 31 December 2016 have been reviewed by the Board Audit and Risk Management Committee of the Company. The information in these interim results does not constitute statutory accounts.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed on Friday, 17 March 2017, on which date no share transfers will be registered.

To qualify for the interim dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 March 2017.

By Order of the Board  
**Stella Lo Sze Man**  
Company Secretary

Hong Kong, 28 February 2017

*As at the date of this announcement, the Board of the Company comprises Mr. Kwek Leng Hai as Executive Chairman; Mr. Tang Hong Cheong as President & CEO; Mr. Kwek Leng San and Mr. Tan Lim Heng as Non-executive Directors and Mr. Volker Stoeckel, Mr. Roderic N. A. Sage and Mr. David Michael Norman as Independent Non-executive Directors.*