2011

ANNUAL REPORT

國浩集團有限公司
Guoco Group Limited
A Member of the Hong Leong Group
(Stock Code: 53)

Please visit our website at
http://www.guoco.com
and click into "INVESTOR RELATIONS" and "Annual and Interim Reports" to view the on-line version of this Annual Report.

Contents

Corporate **Information**

(As at 30 August 2011)

Board of Directors

Executive Directors
Quek Leng Chan – *Executive Chairman*
Kwek Leng Hai – *President, CEO*
Tan Lim Heng
Ding Wai Chuen

Non-executive Director
Kwek Leng San

Independent Non-executive Directors
Sat Pal Khattar
Volker Stoeckel
Roderic N. A. Sage

Board Audit Committee

Sat Pal Khattar – *Chairman*
Volker Stoeckel
Roderic N. A. Sage

Board Remuneration Committee

Quek Leng Chan – *Chairman*
Volker Stoeckel
Roderic N. A. Sage

Chief Financial Officer

Allan Tsang Cho Tai

Company Secretary

Stella Lo Sze Man

Place of Incorporation

Bermuda

Registered Office

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

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

FINANCIAL CALENDAR

Annual results announcement	30 August 2011
Closure of Register of Members for Annual General Meeting	23 November 2011 to 25 November 2011
Annual General Meeting	25 November 2011
Closure of Register of Members for final dividend	2 December 2011
Final dividend of HK$2.20 per share payable on	13 December 2011
Interim results announcement	15 February 2011
Closure of Register of Members for interim dividend	10 March 2011 to 15 March 2011
Interim dividend of HK$1.00 per share paid on	17 March 2011

Corporate **Organisation Chart**

(As at 30 August 2011)

Guoco Group Limited(1)

Principal Investment

- 100% GuocoEquity Assets Limited

Property Development & Investment

- 65.2% GuocoLand Limited(2)
  - 100% GuocoLand (Singapore) Pte. Ltd.
  - 100% GuocoLand (China) Limited
  - 65% GuocoLand (Malaysia) Berhad(3)
  - 100% GuocoLand Vietnam (S) Pte. Ltd.

Hospitality & Leisure Business

- 66.3% GuocoLeisure Limited(2)
  - 100% Guoman Hotels Group Limited
  - 100% Clermont Leisure (UK) Limited
  - 100% Molokai Properties Limited
  - 100% Tabua Investments Limited
  - 55.1% Bass Strait Oil & Gas Royalty
- 74.5% The Rank Group Plc(4)

Financial Services

- 25.4% Hong Leong Financial Group Berhad(3)
  - 64.3% Hong Leong Bank Berhad(3)
    - 100% Hong Leong Islamic Bank Berhad
  - 100% HLA Holdings Sdn Bhd
    - 70% Hong Leong Assurance Berhad
    - 65% Hong Leong MSIG Takaful Berhad
    - 30% MSIG Insurance (Malaysia) Berhad
    - 100% Hong Leong Insurance (Asia) Limited
  - 79.1% Hong Leong Capital Berhad(3)
    - 100% Hong Leong Investment Bank Berhad
    - 100% Hong Leong Asset Management Berhad
- 100% GuocoCapital Limited
- 100% GuocoCommodities Limited

(1) Listed in Hong Kong
(2) Listed in Singapore
(3) Listed in Malaysia
(4) Listed in London

Websites:
– Guoco Group Limited (http://www.guoco.com)
– GuocoLand Limited (http://www.guocoland.com.sg)
– GuocoLand (Malaysia) Berhad (http://www.guocoland.com.my)
– GuocoLeisure Limited (http://www.guocoleisure.com)
– Guoman Hotels Group Limited (http://www.guoman.com)(http://www.thistle.com)
– Clermont Leisure (UK) Limited (http://www.clermontleisure.com)
– Tabua Investments Limited (http://www.denarau.com)
– The Rank Group Plc (http://www.rank.com)
– Hong Leong Financial Group Berhad (http://www.hlfg.com.my)
– Hong Leong Bank Berhad (http://www.hlb.com.my)
– Hong Leong Islamic Bank Berhad (http://www.hlisb.com.my)
– Hong Leong Assurance Berhad (http://www.hla.com.my)
– Hong Leong MSIG Takaful Berhad (http://www.hlmsigtakaful.com.my)
– MSIG Insurance (Malaysia) Berhad (http://www.msig.com.my)
– Hong Leong Insurance (Asia) Limited (http://www.hl-insurance.com)
– Hong Leong Capital Berhad (http://www.hlgcap.com.my)
– GuocoCapital Limited (http://www.guococap.com)
– GuocoCommodities Limited (http://www.guococom.com)

Corporate **Profile**

Guoco Group Limited ("Guoco") (Stock Code: 53), listed on The Stock Exchange of Hong Kong Limited, is an investment holding and investment management company with the vision of achieving long term sustainable returns for its shareholders and creating prime capital value.

Guoco's operating subsidiary companies and investment activities are principally located in Hong Kong, China, Singapore, Malaysia, Vietnam and the United Kingdom. Guoco has four core businesses, namely Principal Investment; Property Development and Investment; Hospitality and Leisure Business; and Financial Services.

Principal Investment

Our Principal Investment business, leveraging on years of experience and success as an investor, has been built up into a core business of the Group with a team of well-trained and experienced investment professionals covering equity and direct investments as well as treasury operations. Ongoing resources are allocated to enhance our investment infrastructure. This includes synergistic analytical tools, risk management system, as well as management information system to facilitate the growth of our Principal Investment activities.

Our portfolio and strategic investments cover global capital markets, and we invest in business and industries where our management knowledge and competencies can enhance creation of capital value in line with Guoco's vision to achieve superior long-term sustainable returns for shareholders.

Our treasury division focuses on global economic conditions, forex and interest rate trends and strategic trading ideas. It also manages major financial exposures of the Group and hedging proposals to manage the Group's liquid assets.

Treasury and investment management teams have been organized regionally to harness the group resources under three investment offices, namely Hong Kong, Singapore and Malaysia to enable us to select and validate appropriate investments that meet the Group's target valuation benchmarks and whose potential satisfies its demanding investment criteria.

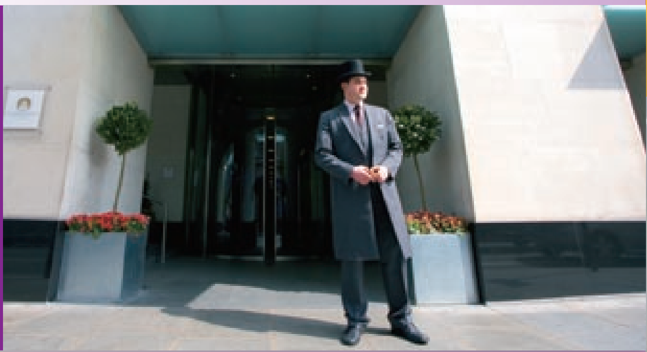
Property Development and Investment

GuocoLand Limited ("GuocoLand") is the Group's property arm listed on the Main Board of Singapore Exchange. This 65% owned subsidiary is a major property development and investment company based in Singapore with operations in the key geographical markets of Singapore, China, Malaysia and Vietnam. In Singapore, it has developed and sold close to 30 residential projects, yielding more than 8,300 apartments and homes. In China, GuocoLand has established a strong presence and has a sizeable property portfolio of approximately 2 million square metres of gross floor area in the major cities of Beijing, Shanghai, Nanjing and Tianjin.

In Malaysia, GuocoLand has established an embedded property operation via its Malaysia listed subsidiary, GuocoLand (Malaysia) Berhad, with property development, property investment as well as hotel and resort holdings business. In Vietnam, GuocoLand is developing its first integrated project on a 17.5 hectare site located next to the Vietnam Singapore Industrial Park in Binh Duong Province, north of Ho Chi Minh City.

Hospitality and Leisure Business

GuocoLeisure Limited ("GuocoLeisure") is the Group's 66% subsidiary in the Hospitality and Leisure Business. It has a primary listing on the Main Board of Singapore Exchange with a secondary listing on the New Zealand Exchange. GuocoLeisure's core operating assets include the Guoman Hotels group ("Guoman") and Clermont Leisure (UK) group ("Clermont Leisure") in the United Kingdom and rights to a royalty stream from the production of oil and gas in the Bass Strait in Australia.



Guoman owns, leases or manages 37 hotels (8,400 rooms) in the United Kingdom under 2 brands, the international deluxe "Guoman" brand, which now consists of 4 major Central London landmark hotels with over 2,300 rooms, and the four-star "Thistle" brand in 33 properties with 6,100 rooms in London and the regions. Guoman also manages 2 Thistle hotels in Malaysia.

Clermont Leisure is a licensed casino operator in the United Kingdom. It currently operates the prestigious Clermont Club in Mayfair, London.

The Bass Strait royalty is a stream of royalty receipts derived from the production of oil and gas in the Bass Strait in Australia. This asset continues to produce a steady stream of income and cash for the GuocoLeisure group of companies.

The Rank Group Plc ("Rank"), the Group's 74.5% subsidiary, is a leading European gaming and betting company, headquartered in Great Britain and listed on the London Stock Exchange.

Rank's businesses comprise a number of established brands in gaming and leisure in Great Britain, Spain and Belgium, including Mecca Bingo, a leading operator of bingo clubs in Great Britain; Grosvenor Casinos, an operator of casinos in Great Britain and two other casinos in Belgium; Top Rank España which operates 11 premium bingo clubs in Spain; and Rank Interactive which distributes Rank's Mecca Bingo, Grosvenor Casinos and Blue Square sports betting and gaming brands, via online and mobile media.

Financial Services

Hong Leong Financial Group Berhad ("HLFG"), the Group's 25% associated company, is an integrated financial services group and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") in Malaysia. HLFG's commercial banking subsidiary is Hong Leong Bank Berhad ("HLB") which is also listed on the Main Board of Bursa Securities. HLB has currently 329 branches in Malaysia (2nd largest) with overseas branches in Singapore, Hong Kong and a wholly owned subsidiary in Vietnam, providing comprehensive services in personal financial services, treasury, corporate and commercial banking. HLB also has a presence in China via an interest of 19.99% in the Bank of Chengdu Co, Ltd ("BOCD") and 49% in Sichuan Jincheng Consumer Finance Limited Company, a joint venture company between BOCD and HLB.

HLB's Islamic banking subsidiary, namely Hong Leong Islamic Bank Berhad focuses on Shariah-compliant commercial banking, Islamic wholesale and investment banking as well as Islamic wealth management.

HLFG Group's insurance interests are made up of Hong Leong Assurance Berhad which provides life insurance services in Malaysia, Hong Leong Insurance (Asia) Limited which provides general insurance business in Hong Kong and Hong Leong MSIG Takaful Berhad (formerly known as Hong Leong Tokio Marine Takaful Berhad) which provides both family and general takaful insurance in Malaysia. HLFG also holds a 30% equity interest in MSIG Insurance (Malaysia) Bhd which provides general insurance services in Malaysia.

HLFG's other financial services interests are held through Hong Leong Capital Berhad (formerly known as HLG Capital Berhad) ("HLCB") which is listed on the Main Board of Bursa Securities. HLCB's subsidiaries include Hong Leong Investment Bank Berhad which provides investment banking, stockbroking and futures broking and Hong Leong Asset Management Berhad which provides asset management and unit trust services.

As at 30 June 2011, the HLFG Group employs over 13,000 employees to deliver quality and competitive financial products and services to customers in Malaysia, Singapore, Hong Kong, Vietnam and China.

The Group also operates stock and futures broking and corporate advisory business in Hong Kong through its wholly owned subsidiaries, **GuocoCapital Limited** and **GuocoCommodities Limited**.

Biographical Details of Directors **and Senior Management**

Quek Leng Chan, aged 68, has been the Executive Chairman of Guoco Group Limited ("Guoco") since 1990 and is the Chairman of the Board Remuneration Committee ("BRC") of Guoco. He is the Chairman & CEO and a shareholder of Hong Leong Company (Malaysia) Berhad ("HLCM"), the ultimate holding company of Guoco. Mr Quek is the Chairman of HL Holdings Sdn Bhd (a deemed substantial shareholder of Guoco), which is wholly owned by him. He is a director and shareholder of Davos Investment Holdings Private Limited and a director of Hong Leong Investment Holdings Pte Ltd, both of which are deemed substantial shareholders of Guoco. He holds directorships in Guoco's key listed subsidiaries and associated companies, including as a director of GuocoLand Limited ("GuocoLand"); as the Executive Chairman of GuocoLeisure Limited ("GuocoLeisure") and GuocoLand (Malaysia) Berhad; and as the Chairman of Hong Leong Financial Group Berhad, Hong Leong Bank Berhad ("HLB") and Hong Leong Capital Berhad (formerly known as HLG Capital Berhad). He is also the Executive Chairman of other Malaysian listed subsidiaries of HLCM, namely Hong Leong Industries Berhad ("HLI") and Narra Industries Berhad. On 1 August 2010, Mr Quek resigned as Executive Chairman and a director of Hume Industries (Malaysia) Sdn Bhd ("HIMSB", formerly known as Hume Industries (Malaysia) Berhad), an indirect Malaysian subsidiary of HLCM which was privatised and delisted from the official list of Bursa Malaysia Securities Berhad in April 2010. He qualified as a Barrister-at-Law from Middle Temple, United Kingdom and has extensive business experience in various business sectors, including financial services, manufacturing and real estate. He is a brother of Messrs Kwek Leng Hai and Kwek Leng San and a cousin of Mr Kwek Leng Kee, a deemed substantial shareholder of Guoco.

Kwek Leng Hai, aged 58, is the President, CEO of Guoco and has been an Executive Director of Guoco since 1990. He holds directorships in the Guoco's key subsidiaries and associated companies including GuocoLand, GuocoLeisure, HLB and Bank of Chengdu Co., Ltd. He also serves as the Chairman of Lam Soon (Hong Kong) Limited ("LSHK"), a Hong Kong listed subsidiary of HLCM. He is also a director and shareholder of HLCM. Mr Kwek qualified as a chartered accountant of the Institute of Chartered Accountants in England and Wales. He is a brother of Messrs Quek Leng Chan and Kwek Leng San and a cousin of Mr Kwek Leng Kee.

Sat Pal Khattar, aged 68, has been an Independent Non-executive Director of Guoco since 1991 and is the Chairman of Board Audit Committee ("BAC") of Guoco. He is the Chairman and independent non-executive director of GuocoLand and GuocoLeisure respectively, subsidiaries of Guoco listed in Singapore. He is also a director of Haw Par Corporation Limited listed in Singapore and Gateway Distriparks Ltd listed in India. He was a director of India Infoline Ltd, a listed company in India, during the year. Mr Khattar now chairs Khattar Holdings Pte Ltd, an investment group based in Singapore. He obtained a LLM degree and a LLB (Hons) degree from the University of Singapore.

Kwek Leng San, aged 56, a Non-executive Director of Guoco since 1990. He is the President & Chief Executive Officer of HLI, Executive Chairman of Malaysian Pacific Industries Berhad, Managing Director of Narra Industries Berhad and a director of Hong Leong Bank Berhad, all Malaysian listed subsidiaries of HLCM. Mr Kwek is the Chairman of Southern Steel Berhad, a Malaysian listed associated company of HLCM. He is a director and shareholder of HLCM and a director of HIMSB. He graduated from University of London with a Bachelor of Science (Engineering) degree and also holds a Master of Science (Finance) degree from City University, London. He has extensive business experience in various business sectors, including financial services and manufacturing. He is a brother of Messrs Quek Leng Chan and Kwek Leng Hai and a cousin of Mr Kwek Leng Kee.

Biographical Details of Directors and Senior Management

Tan Lim Heng, aged 63, joined GuocoCapital Limited and GuocoCommodities Limited, wholly owned subsidiaries of Guoco, as the Managing Director in 1990, and has been an Executive Director of Guoco since 1996. He also serves as a non-executive director of LSHK. Mr Tan holds a Bachelor of Science first class honours degree in engineering from University of Surrey and a Master of Science degree in management from Massachusetts Institute of Technology. He had also previously worked in Geneva in 1974 with the United Nations Conference on Trade and Development. Prior to joining Guoco, he had served in the Singapore Civil Service as a Colombo Plan Scholar 1975-1978 before coming to work in Hong Kong with a financial services company and a major U.S. bank. Mr Tan has extensive experience in property investment, financial and investment management services.

Volker Stoeckel, aged 66, has been an Independent Non-executive Director of Guoco since 2004 and is a member of BAC and the BRC of Guoco. He was Chairman and CEO of Metal Cast Zhong Shan Limited during the period from 2007 to 2009. He was also the Chairman and CEO of the German Centre for Industry and Trade in Shanghai until 2006. Before that he held various senior banking positions in Asia for over 26 years. Until 2004 he was the Senior Executive Vice President and Chief Executive of Asia Pacific of Bayerische Landesbank, Regional Head Office, in Hong Kong. Mr Stoeckel has wide ranging experience in capital markets, corporate finance, project finance, treasury and securities business, and property development of commercial and industrial projects in China. He is also a consultant for major companies in Asia for projects in Europe. He graduated from the University of Munich in economics and holds a diploma in banking.

Ding Wai Chuen, aged 51, was re-designated as an Executive Director of Guoco since September 2009. He was previously an Independent Non-executive Director of Guoco appointed since 2006. He also serves as a non-executive director of LSHK.

Mr Ding is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr Ding is currently a council member of the HKICPA.

Mr Ding has over 25 years of experience as a professional accountant with international firms of accountants in England and in Hong Kong and with the HKICPA. In 2007, Mr Ding was appointed by the Hong Kong SAR Government as a member of the Financial Reporting Review Panel of the Financial Reporting Council ("FRC"). Since 2002, Mr Ding has been appointed by the PRC Ministry of Finance as a member of the Advisory Group of Foreign Experts for the development of PRC's Independent Auditing Standards. Mr Ding is a member of Railway Objections Hearing Panel.

Roderic N. A. Sage, aged 58, was appointed as an Independent Non-executive Director of Guoco since October 2009 and is a member of both the BAC and BRC of Guoco. He is the Chief Executive Officer of a specialist tax, corporate services and trust consultancy firm in Hong Kong. Prior to that, Mr Sage had worked with KPMG Hong Kong over 20 years until 2003, as a senior partner and member of the management board of KPMG. He has been granted fellow status with the Institute of Chartered Accountants in England and Wales and with the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Institute of Taxation in England. He has over 30 years' experience in accounting, international tax planning and investment structuring enhanced by considerable knowledge of cross-boarder and onshore and offshore transactions and structures.

Mr Sage was a Convenor of the Financial Reporting Review Panel of the FRC during the period from July 2007 to July 2010. He is also an independent non-executive director of Tai Ping Carpets International Limited listed in Hong Kong and the Alpha Tiger Fund listed on London's Alternative Investment Market.

Financial **Highlights**

Financial highlights of Guoco Group for the year ended 30 June 2011:

	Year ended 30 June 2011 HK$'M	Year ended 30 June 2010 HK$'M	Increase/ (Decrease)
Turnover	**37,528**	17,599	113%
Revenue	**7,662**	5,925	29%
Profit from operations before finance cost	**2,968**	3,058	(3%)
Profit attributable to shareholders of the Company	**4,159**	2,831	47%
	HK$	HK$	
Earnings per share	**12.80**	8.71	47%
Dividend per share:			
Interim	**1.00**	0.80	
Proposed final	**2.20**	2.00	
Total	**3.20**	2.80	14%
Equity per share attributable to shareholders of the Company	**148.94**	131.75	13%

	As at 30 June 2011 HK$'M	As at 30 June 2010 HK$'M	Increase
Equity attributable to shareholders of the Company	**49,007**	43,353	13%
Total assets	**116,853**	75,843	54%
Total liabilities	**56,618**	25,032	126%

Ten Year **Summary**

US$'000

Years	Total assets	Total liabilities	Equity attributable to shareholders of the Company	Profit for the year attributable to shareholders of the Company	Dividend per share
2002	4,713,770	927,884	3,577,730	202,656	0.14
2003	4,620,094	703,573	3,702,501	157,193	0.14
2004	4,858,457	680,891	3,933,605	312,805	0.38
2005	5,191,012	655,282	4,196,126	415,476	0.49
2006	7,470,726	1,750,335	4,754,347	725,876	0.64
2007	8,863,439	2,677,829	5,186,062	546,371	0.55
2008	10,261,067	3,766,946	5,280,935	188,191	0.51
2009	9,530,768	3,367,014	5,121,487	61,364	0.26
2010	9,743,006	3,215,707	5,569,187	363,626	0.36
2011	**15,014,970**	**7,275,121**	**6,297,179**	**534,459**	**0.41**

HK$'000

Years	Total assets	Total liabilities	Equity attributable to shareholders of the Company	Profit for the year attributable to shareholders of the Company	Dividend per share
2002	36,766,935	7,237,402	27,905,937	1,580,695	1.10
2003	36,027,500	5,486,464	28,872,108	1,225,789	1.10
2004	37,895,963	5,310,949	30,682,119	2,439,881	3.00
2005	40,344,545	5,092,852	32,612,290	3,229,080	3.80
2006	58,011,681	13,591,701	36,918,455	5,636,572	5.00
2007	69,283,288	20,931,920	40,538,151	4,270,845	4.30
2008	80,025,549	29,378,224	41,185,748	1,467,690	4.00
2009	73,864,407	26,094,697	39,692,037	475,577	2.00
2010	75,843,455	25,032,349	43,352,779	2,830,611	2.80
2011	**116,853,254**	**56,618,266**	**49,007,481**	**4,159,400**	**3.20**

Note: The figures for 2003 and 2005 were restated due to change in accounting policies.

Chairman's **Statement**

"Given the capricious economic environment, our core operating businesses are expected to face challenges in the coming financial year. Nevertheless, the Company will continue to look for appropriate investment opportunities and provide support to each of our core businesses for sustainable growth."

I am pleased to present this Annual Report showing improved results for our financial year ended 30 June 2011.

OVERVIEW

In the first half of our financial year, we saw world economies underpinned by accommodative monetary policies stimulating strong corporate earnings growth. This ray of optimism turned dimmer towards the first quarter of 2011 as chronic European sovereign debt issues began to unnerve investors. In Asia, economic powerhouse China had to tighten up credit to slow its GDP growth running at 9.5% in the second quarter of 2011 and to reign in inflation.

Just as when the consequences of the severe financial crisis of October 2008 appeared to be settling down, another economic crisis now looms in the form of European sovereign defaults. Then came the political wrangling in the U.S. to address and deal with reducing the ballooning debt of U.S. at US$14.3 trillion and counting. With no clear long term solutions in sight, the world markets faced a sell-off in early August 2011 which threatened the fragile global recovery. That is the kind of uncertain environment we have to deal with.

Despite these challenges in the markets the Group operates in, our core businesses took measures to strengthen their business operations and took advantage of market adjustments to make significant acquisitions to broaden their asset base.

Chairman's Statement

FINANCIAL RESULTS

The Group achieved improved operating results for the year and reported a consolidated profit attributable to shareholders, after taxation and non-controlling interests of HK$4,159 million, representing an increase of 47% over that of previous year.

The directors are recommending a final dividend of HK$2.20 per share (2010: HK$2.00) at the forthcoming Annual General Meeting. Together with the interim dividend of HK$1.00 per share already paid, the total dividend for the year would be HK$3.20 per share (2010: HK$2.80), representing an increase of 14%.

CORE BUSINESSES

Principal Investment

Our Principal Investment did well and made substantial contribution to our bottom line.

The start of the second leg of quantitative easing (QE2) by the US Fed in the second half of 2010 and the continued accommodative monetary policy and fiscal stimulus in most developed countries provided support to asset prices. We had responded to that favourable environment by increasing our allocations to equities and our leverage appropriately during the period.

Concerns over the sustainability of the economic recovery in the US and a deepening European debt crisis and repeated tightening in China had resulted in a correction of the equity markets during the second quarter of 2011. We took market corrections as buying opportunity for accumulation of quality counters. We hold a positive outlook for the Asian economies and built significant positions in strategic long-term investments.

Amidst a global low interest rate environment and volatile foreign exchange markets, we continued to adopt a balanced approach in managing our currency exposures. This has contributed positively to our results.

I would caution shareholders that our performance is dependent on market conditions and is subject to fair value movements and these can fluctuate.

Property Development and Investment

GuocoLand Limited ("GuocoLand")

During the year, GuocoLand won the tender of a residential site, Changfeng Plot 9, in Shanghai. In addition, it also acquired the Tanjong Pagar site in Singapore for mixed-use development. These acquisitions would add a total of approximately 3 million square feet to its landbank and help to transform GuocoLand into a diversified property group with a balanced portfolio comprising properties developed for sale and investment properties. With the addition of the Tanjong Pagar site, GuocoLand now has world-class integrated developments in each of its embedded markets. Notably, the following: Tanjong Pagar in Singapore, GuoSon Centre in Dongzhimen, Beijing and GuoSon Centre in Changfeng, Shanghai and Damansara City in Malaysia are situated at prime locations in the respective cities and will broaden GuocoLand's recurring income base in the future.

I am also pleased to see the participation of Employees Provident Fund of Malaysia as a strategic partner in the Tanjong Pagar project and look forward to building on the relationship with this established arm of the Malaysian government.

Chairman's Statement

GuocoLand will continue to focus on strengthening its business of being a leading property developer and investor in the countries it operates in. To this end, GuocoLand completed a rights issue in December 2010 which raised S$533 million. GuocoLand will continue to maintain prudent financial discipline and strengthen its management and operational teams to enhance its competitiveness for future growth.

Hospitality and Leisure Business

GuocoLeisure Limited ("GuocoLeisure")

GuocoLeisure continued to upgrade its products through facility refurbishment and improved customer services under the Guoman and Thistle brands and its casino. This resulted in better performance of its hotel division. The gaming division also recorded higher margins.

With these upgrade improvements, GuocoLeisure stands to benefit from the business opportunities arising from the London Olympics 2012.

The Rank Group Plc ("Rank")

Rank has an excellent portfolio of businesses in the gaming sector in the United Kingdom and a strong executive management team. We see value and growth potential in our investment in Rank and acquired an additional block of 11.59% shares in Rank in May 2011. This triggered a mandatory offer and our shareholding subsequently increased to 74.5% pursuant to the general offer. With Rank now a subsidiary of Guoco Group, we look forward to working closer with Rank's executive management, building on its success to create value for all shareholders.

Financial Services

Hong Leong Financial Group Berhad ("HLFG")

The financial year was a watershed year for HLFG with impressive organic business growth across all its major business divisions, the completion of two major M&A transactions and a new record level of profits crossing RM2 billion in profit after tax.

The acquisition of the entire assets and liabilities of EON Capital Berhad by Hong Leong Bank Berhad ("HLB") brings the total assets of the merged bank to RM145 billion, ranking it the fourth largest bank in Malaysia. This greater scale and size are crucial for HLB to remain competitive in the fast changing Malaysian banking and financial services landscape.

The formation of a strategic partnership with Mitsui Sumitomo Insurance Company, Limited, the largest general insurer in Japan, has resulted in Hong Leong Assurance Berhad being among the top three life insurers in Malaysia. The merged general insurance entity, MSIG Insurance (Malaysia) Berhad, is now within the top two general insurers in Malaysia.

GROUP HUMAN RESOURCES

A key factor of our success is the dedicated talented people working as a team for the Group. I emphasize strongly on building and retaining quality human resources which is essential to achieving our vision. This is always a crucial item in our business plans. Much effort is directed at training programmes to identify and build our talent pool from within and at drawing in outside experts and talents to join us. We have made good progress in this direction as the Group's business grows larger.

Chairman's Statement

OUTLOOK

The investment environment in the world and in the markets we operate in continues to be challenging given the concerns over global growth slowdown. However, we anticipate policy makers will continue to be proactive and maintain accommodative monetary policies in most developed countries to tackle the current macro headwinds. In China, it is our belief that the economy will not face a hard landing and GDP growth will stay at healthy levels. Equity valuation is not demanding and most companies are looking better. Nevertheless, severe corrections in markets in the near term could affect the value of our Principal Investment portfolio and shareholders are advised to be cognizant of the gyration.

Given the capricious economic environment, our core operating businesses are expected to face challenges in the coming financial year. Nevertheless, the Company will continue to look for appropriate investment opportunities and provide support to each of our core businesses for sustainable growth.

APPRECIATION

I would like to thank my fellow directors for their continuing contributions and wise counsel. On behalf of the Board, I also wish to express my heartfelt thanks to both management and staff for their hard work and dedication. To all our shareholders, bankers and customers, I thank them for their support.

I am pleased to see that the Company and its staff continue to take an active part to help the needy. Through the corporate donation and staff participation in the charity activities, the Company was honoured for the second year as one of the top ten donors to The Community Chest of Hong Kong. One of our Board members again won the Top Individual Fund-raiser Award for the fourth year running. The Company has also been presented the Platinum and the prestigious President's Award by The Community Chest for the sixth consecutive year, in recognition of its commitment towards local community development.

Quek Leng Chan
Executive Chairman
30 August 2011

Principal Investment

Review of **Operations**

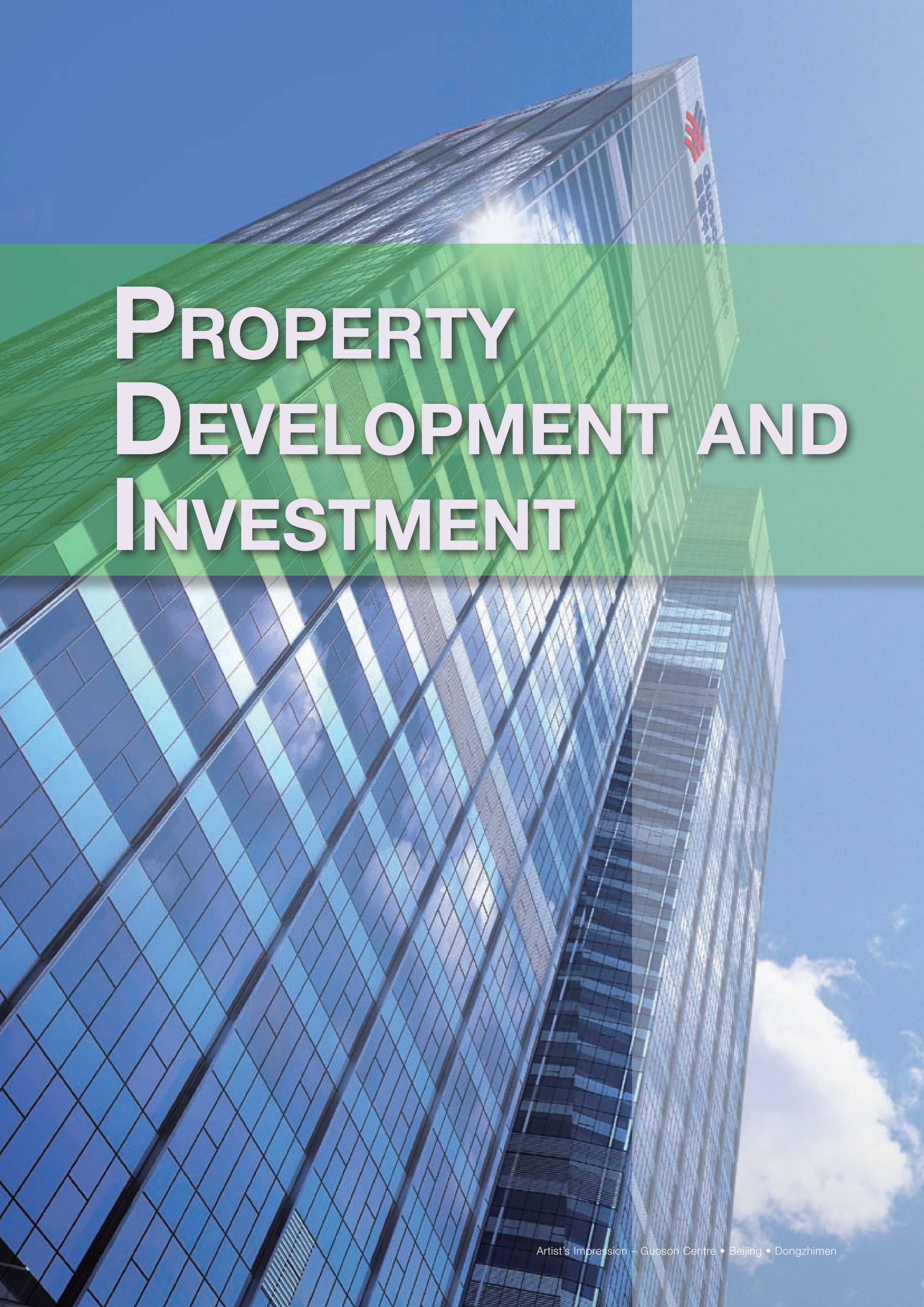
Principal Investment

Global financial markets were confronted with rapidly changing forces during the period under review. Announcement of QE2 by the US Fed and continued accommodative monetary policy and fiscal stimulus by most developed countries initially provided solid support to asset prices. However, a deepening European sovereign debt crisis, repeated tightening in China and renewed concern over global growth led to selling pressure and volatility in later part of our financial year. Recent unexpected US credit rating downgrade added more uncertainty.

We recognize that market conditions will likely to stay unsettled in the near future. However, it is our belief that severe correction has opened up long-term opportunities. Policy makers across the globe will remain proactive in implementing appropriate supporting policies to tackle the current macro headwinds. Equity valuation is not demanding and most companies are in much better financial shape than before. We also remain positive on the Asian economies and believe that China will not face a hard landing scenario. As a result, we gradually increased our allocation to markets during the year and selectively raised our exposures in some developed markets focusing on under-valued and recovery situations. Some of these positions have been classified under “available for sale” and gains have been reflected in growth in reserve rather than through profit and loss.

The very nature of investment means that short-term price fluctuations may inevitably affect our portfolio valuation. However, by diligently selecting quality counters with sound fundamentals and prospect, we are confident that our portfolio will bring substantial value creation over the long term.

PROPERTY DEVELOPMENT AND INVESTMENT



Artist's Impression – Guoson Centre • Beijing • Dongzhimen

Review of **Operations**

Artist's Impression – Damansara City, Kuala Lumpur

Artist's Impression – Commerce One, Kuala Lumpur

Property Development and Investment

GuocoLand Limited ("GuocoLand") – 65.2% controlled by Guoco

GuocoLand achieved revenue (calculated using percentage of completion method under Singapore Accounting Standards) of S$647.3 million and profit attributable to shareholders of S$130.2 million for the financial year ended 30 June 2011.

Profits from development projects in Singapore were higher in the current financial year as compared to the previous financial year due mainly to the progress in the construction of Goodwood Residence and Sophia Residence. The increase in profit from these Singapore projects was offset by lower profit contribution from development projects in China.

Other income increased by 125% to S$71.4 million, mainly attributable to a gain on revaluation of investment properties of S$58.8 million.

Administrative expenses increased by 39%, mainly attributable to increased staff and other administrative expenses to support GuocoLand's operations in China, including Guoman Hotel Shanghai, which commenced operation in July 2010.

Shareholders' equity attributable to owners of GuocoLand increased by 21% to S$2.4 billion as at 30 June 2011. This was mainly due to an increase in share capital from its rights issue in 2010. The increase was offset by translation losses on GuocoLand's China operations as the Chinese Renminbi had depreciated against Singapore Dollar during the financial year.

Review of Operations

Singapore

Increased sales in the Singapore property market assisted GuocoLand (Singapore) Pte. Ltd. to achieve profit before tax for the year ended 30 June 2011 of S$166.2 million as compared to S$60.3 million in the previous financial year.

GuocoLand was awarded the tender in November 2010 for the Tanjong Pagar white site ("Tanjong Pagar Site") at Peck Seah/Choon Guan Street, the southern gateway to Singapore's central business district. The land parcel will be transformed into an exciting world-class development featuring over a million square feet of central Grade A office space, together with quality hotel, residential and retail components.

In June 2011, GuocoLand entered into a joint venture with Employees Provident Fund of Malaysia ("EPF") in relation to the Tanjong Pagar Site. Following completion, EPF now holds 20% of the shares in the relevant project companies.

Showflat at Goodwood Residence, Singapore

Review of Operations

China

Consumer price inflation in China reached 6.5% in July 2011, the highest level in 3 years. The economic growth in China slowed down gently in the second quarter of 2011 with growth in gross domestic product projected at 9% for 2011.

GuocoLand (China) Limited recorded a profit before income tax of S$19.4 million for the year ended 30 June 2011 as compared to S$141.2 million in the previous financial year, mainly due to lower sales from development projects in China.

In September 2010, GuoSon Investment Company Limited ("GICL") jointly with Guoco Investments (China) Limited tendered successfully in the proportion of 50:50 for a land parcel Changfeng Plot 9 in Shanghai. The site has a land area of 47,675 square metres and a total gross floor area of 122,400 square metres, and is for residential development.

In respect of the Dongzhimen project ("DZM Project"), GICL has successfully completed the acquisition of a loan of RMB2 billion with interest ("ABC Loan") from Agricultural Bank of China, with all rights attaching thereto including enforcement rights against the borrower and guarantors. The balance consideration for the DZM Project withheld from the vendor of RMB2.58 billion was reduced accordingly upon acquisition of the ABC Loan.

Government measures to curb property speculation particularly in Singapore and China have affected residential sales although prices have not corrected substantially. On the global front, sovereign debt issues in the United States and Europe threaten to derail economic growth and have resulted in volatility in global equity markets.

Given the uncertain outlook, business conditions in the countries in which GuocoLand operate will be challenging in the ensuing year. GuocoLand will nonetheless continue to explore opportunities for its core property businesses whilst balancing the need to manage and mitigate risks.

Artist's Impression – Guoson Centre • Shanghai • Changfeng

Artist's Impression – Guoson Centre • Beijing • Dongzhimen

Hospitality and Leisure Business

Thistle Port Dickson Resort, Malaysia

Review of **Operations**

Hospitality and Leisure Business

GuocoLeisure Limited (“GuocoLeisure”) – 66.3% controlled by Guoco

Profit after tax for the year ended 30 June 2011 stood at US$79.8 million, an increase of 61.2% as compared to US$49.5 million in the previous financial year. This was mainly due to better performance in both hotel and gaming segments as a result of improved average room rate and higher gaming margin.

Thistle Johor Bahru, a 5-star Thistle hotel in Malaysia

The Lounge, The Royal Horseguards • Guoman, London

Revenues stood at US$391.1 million, which was 18.1% above that of the previous financial year. This was due mainly to higher revenues generated from the hotel operations as well as higher gaming wins from the gaming operations.

Royalty income from the Bass Strait oil and gas production in Australia increased by 15.0% principally due to higher royalties received as a result of higher average crude oil and gas prices in the current financial year as compared to the previous financial year as well as the appreciation of AUD against USD.

Other operating income increased by 145.1% to US$22.3 million for the year ended 30 June 2011 due mainly to a cash distribution from GuocoLeisure's investments in the current year.

Review of Operations

Personnel expenses increased by 11.7% in the current financial year. This was mainly due to the expansion of sales and marketing teams for the UK hotel operations and is in line with GuocoLeisure's business strategy to expand its hotel business.

The increase in other operating expenses for the year was mainly due to higher marketing and promoting fees in both hotel and gaming segments as compared to the previous financial year.

GuocoLeisure's net assets as at 30 June 2011 increased by 14.6% to US$1.10 billion from US$0.96 billion as at 30 June 2010 due principally to a net foreign exchange translation gain of US$77.8 million, which arose from the translation of the GuocoLeisure's GBP and AUD denominated net assets into USD.

Whilst business performance has improved year-on-year, GuocoLeisure remains vigilant and mindful of macro-economic risks that may pose a challenge to its growth plans.

The Jimi Hendrix Suite, The Cumberland • Guoman, London

The Rank Group Plc (“Rank”) – 74.5% controlled by Guoco

On the first closing date of the mandatory cash offer for Rank on 7 June 2011, Guoco gained control over Rank and Rank was derecognised as an associate and accounted for as a subsidiary, with revaluation performed on its intangible assets (mainly brand name and licences). Goodwill of US$34.1 million was recognised thereon.

During the first six months of Rank’s financial year ending 31 December 2011, Rank’s revenue grew by 4.6% to GBP294.0 million, while operating profit before exceptional items of GBP29.5 million was up 3.1%. Grosvenor Casinos, Rank Interactive and Mecca Bingo all delivered positive performances but Top Rank España experienced difficult trading conditions, following the introduction of a full smoking ban at the start of the year 2011.

Exceptional items totaling GBP122.0 million comprised mainly value added tax refund of GBP81.9 million and interest of GBP80.9 million in respect of the refunds less related taxation of GBP32.8 million.

G Casino • Rank, UK

Mecca Bingo • Rank, UK

FINANCIAL SERVICES

Review of **Operations**

Financial Services

Hong Leong Financial Group Berhad ("HLFG") – 25.4% owned by Guoco

HLFG recorded a profit before tax of RM2,419.3 million for the financial year ended 30 June 2011 as compared to RM1,450.8 million in the previous financial year. The higher profit is due to a number of non-recurring items in both this year and the previous year. The main items involved were a surplus transfer from Hong Leong Assurance Bhd ("HLA") Life division of RM175 million and a RM619 million one-time gain on transfer of HLA General's business to MSIG Insurance (Malaysia) Bhd ("MSIG Malaysia"). Backing off the above one-off gains including other one-time adjustments, the 'normalised' profit before tax is RM1,632.3 million, 25.4% higher than the previous financial year's 'normalised' profit of RM1,301.8 million. This strong organic business growth came from good business performances across all operating divisions.

The commercial banking division recorded a profit before tax of RM1,411.9 million for the year ended 30 June 2011 against RM1,213.4 million in the previous financial year, an increase of RM198.5 million. The increase is mainly attributed to higher net interest income and a higher share of results from its equity stake in Bank of Chengdu Co., Ltd.

Review of Operations

The investment banking division comprising investment banking, brokerage and asset management activities recorded a profit before tax of RM50.5 million for the year ended 30 June 2011 as compared to RM20.4 million in the previous financial year, an increase of RM30.1 million. This is mainly due to higher contributions from the investment banking arm.

The insurance division recorded a profit before tax of RM968.5 million for the year ended 30 June 2011 as compared to RM249.1 million in the previous financial year. Backing off the one-time gains and a one-time surplus transfer from the Life division, the insurance division recorded a 'normalised' profit before tax of RM165.5 million versus a 'normalised' profit of RM100.1 million in the preceding financial year. The higher profit is mainly due to the share of profit from its 30% equity stake in MSIG Malaysia.

Review of **Operations**

GROUP FINANCIAL COMMENTARY

Financial Results

The audited consolidated profit attributable to shareholders for the year ended 30 June 2011, after taxation and non-controlling interests, amounted to HK$4,159 million, as compared with HK$2,831 million last year. Earnings per share amounted to HK$12.80.

The major profit contributions (before taxation) were from the following:

- property operations of HK$621 million;
- hospitality and leisure business of HK$708 million;
- total net exchange gain (including foreign exchange contracts) of HK$360 million;
- total interest income of HK$219 million;
- total realised and unrealised gain on trading financial assets of HK$469 million;
- dividend income of HK$601 million;
- valuation surplus on investment properties of HK$447 million;
- profit on disposal of an associate of HK$325 million;
- contributions from associates and jointly controlled entities of HK$1,745 million;

and set off by finance cost of HK$542 million.

Revenue increased by 29% to HK$7.7 billion. The increase was mainly attributable to increase in hospitality and leisure sector of HK$1,283 million (48%) and principal investment sector of HK$292 million (70%).

Capital Management

– The Group's consolidated total equity (including non-controlling interests) as at 30 June 2011 amounted to HK$60.2 billion, an increase of 18.5% compared to the total equity as at 30 June 2010.

– The Group's consolidated total equity attributable to shareholders of the Company as at 30 June 2011 amounted to HK$49.0 billion, an increase of HK$5.7 billion compared to the figure as at 30 June 2010.

Review of Operations

Capital Management (cont'd)

– The equity-debt ratio as at 30 June 2011 was as follow:

	HK$'M
Total borrowings	47,415
Less: Cash and short term funds	(15,591)
Marketable securities	(16,923)
Net debt	14,901
Equity attributable to shareholders of the Company	49,007
Equity-debt ratio	77:23

– The Group's total cash balance and marketable securities were mainly in USD (41%), RMB (12%), JPY (9%), SGD (9%) and AUD (8%).

Total Borrowings

The increase in total borrowings from HK$18.3 billion as at 30 June 2010 to HK$47.4 billion as at 30 June 2011 was primarily due to drawdown of additional bank loans and issuance of medium term note by GuocoLand to finance its property development in Singapore and Mainland China. The drawdown of bank loan facilities by Guoco to finance its principal investment activities also contributed to increase in total borrowings over the year. The Group's total borrowings are mainly denominated in SGD (55%), USD (24%), GBP (7%) and RMB (7%).

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

	Bank loans HK$'M	Mortgage debenture stock HK$'M	Convertible bonds HK$'M	Other borrowings HK$'M	Total HK$'M
Within 1 year or on demand	21,558	–	2,370	6,442	30,370
After 1 year but within 2 years	3,667	–	–	478	4,145
After 2 years but within 5 years	4,732	2,249	–	4,389	11,370
After 5 years	595	736	–	199	1,530
	8,994	2,985	–	5,066	17,045
	30,552	2,985	2,370	11,508	47,415

Total Borrowings (cont'd)

Bank loans, mortgage debenture stock and other borrowings are secured by certain development properties, fixed assets and trading financial assets with an aggregate book value of HK$43.4 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 30 June 2011 amounted to approximately HK$8.5 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 30 June 2011, approximately 77% of the Group's borrowings were at floating rates and the remaining 23% were at fixed rates. The Group had outstanding interest rate swaps with notional amount of HK$2.5 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 30 June 2011, there were outstanding foreign exchange contracts with a total notional amount of HK$21.8 billion for hedging of foreign currency equity and bond investments.

Equity Price Exposure

The Group maintains an investment portfolio which comprises listed and unlisted equities. Investments are classified as "trading" or "strategic". Equity investments are subject to asset allocation limits.

Contingent Liabilities

Details are encapsulated in note 42 "Contingent Liabilities" to the Financial Statement in this annual report.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 3,440 employees as at 30 June 2011. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to providing its staff with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual achievement as incentives to optimise performance. Share options are granted to eligible employees to reward their contribution and foster loyalty towards the Group.

Corporate **Governance Report**

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders' value, whilst taking into account the interest of other stakeholders."

The board of directors of the Company (the "Board") has adopted a Code of Corporate Governance Practices (the "CGP Code"), which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the letter of the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the HKEx Code throughout the financial year ended 30 June 2011, except where otherwise stated.

A. Directors

1. The Board

The Board assumes responsibility for directing the Company and enhancing its value for shareholders in accordance with good corporate governance principles and has established relevant board committees to assist in discharging this responsibility.

The role and responsibilities of the Board broadly cover reviewing and approving corporate mission and broad strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate measures and control systems to manage these risks; and reviewing and approving important matters such as financial results, investments and divestments and other material transactions.

The Board has delegated the day-to-day management and operation of the Group's businesses to management of the Company and its subsidiaries.

The Board currently comprises the following members:

Executive Directors
Quek Leng Chan *(Executive Chairman)*
Kwek Leng Hai *(President, CEO)*
Tan Lim Heng
Ding Wai Chuen

Non-executive Director
Kwek Leng San

Independent Non-executive Directors
Sat Pal Khattar
Volker Stoeckel
Roderic N. A. Sage

A. Directors (cont'd)

1. The Board (cont'd)

Every director is subject to retirement by rotation at least once every three years pursuant to the Bye-Laws of the Company and the CGP Code.

Despite non-executive directors are not appointed for a specific term as stipulated by the HKEx Code, they are subject to retirement by rotation and re-election at the annual general meetings of the Company. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the HKEx Code.

The Company received confirmation of independence from each of the INEDs for the year pursuant to Rule 3.13 of the Listing Rules. The Company considers that Messrs Sat Pal Khattar, Volker Stoeckel and Roderic N. A. Sage continue to be independent up to and as at the date of this report.

The family relationships among the board members, if any, are disclosed under "Biographical Details of Directors and Senior Management" on pages 6 and 7 of this annual report.

2. Chairman and Chief Executive Officer ("CEO")

The roles of the Chairman and the CEO of the Company are segregated and are not held by the same person. Currently, Mr Quek Leng Chan is the Executive Chairman and Mr Kwek Leng Hai is the President and CEO of the Company.

The primary responsibility of the Executive Chairman is to ensure smooth and effective functioning of the Board and, together with the President and CEO, to set up the vision and oversee strategic direction and policies of the Group as well as to monitor progress on implementation of Key Performance Areas ("KPAs") and strategic development.

The CEO's main responsibility is to work with business managers to develop strategic business plans and to set out KPAs for the business managers as well as to focus on creating value through asset deployment and optimal use of the capital resources available.

3. Nomination of Directors

The Board is responsible for the selection and recommendation of candidates for directorship of the Company. All new nominations received are assessed and approved by the Board in line with its policy of ensuring that the nominees are of high calibre and ample experience.

4. Board Meetings and Access of Information

The Board meets regularly and members of the Board receive information between meetings about developments in the Company's business.

A. Directors (cont'd)

4. Board Meetings and Access of Information (cont'd)

During the year, four board meetings were held and details of directors' attendance at the meetings are as follows:

	Meetings attended/held
Executive Directors	
Quek Leng Chan	4/4
Kwek Leng Hai	4/4
Tan Lim Heng	4/4
Ding Wai Chuen	4/4
Non-executive Director	
Kwek Leng San	4/4
Independent Non-executive Directors	
Sat Pal Khattar	4/4
Volker Stoeckel	3/4
Roderic N. A. Sage	4/4

Where appropriate, decisions are also taken by way of circulated resolutions.

Board papers are circulated prior to board meetings on a timely manner, which include, among others, financial and corporate information, significant operational and corporate issues and business performance of the Group as well as management proposals which require the approval of the Board.

All directors have access to the advice and services of the company secretary and internal auditors, and upon reasonable request, independent professional advice in appropriate circumstances at the Company's expense, if any.

5. Directors' Securities Transactions

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 governing directors' securities transactions.

All directors of the Company during the year, following specific enquiry by the Company, have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

B. Directors' Remuneration

1. Board Remuneration Committee ("BRC")

The principal role of the BRC is to make recommendations to the Board on the policy and structure for the remuneration of directors and senior management, as well as to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment. Detailed terms of reference of the BRC is accessible on the Company's website.

Membership and attendance

For the year ended 30 June 2011, the following members and their attendance at the meetings are set out below:

	Meetings attended/held
Chairman	
Quek Leng Chan	2/2
Members	
Volker Stoeckel	1/2
Roderic N. A. Sage	2/2

Work done during the year

- reviewed its terms of reference and the remuneration policy for directors and senior management;
- recommended to the Board the executive directors' fees for the year ended 30 June 2011 for proposing to shareholders for approval;
- approved the discretionary bonuses for executive directors and senior management for the year ended 30 June 2011; and
- reviewed the remuneration packages of executive directors and senior management for the year 2011.

2. Level and Make-up of Remuneration

The Group's remuneration scheme for executive directors and senior management is linked to performance, service seniority, experience and scope of responsibility and is based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The fees of directors, including non-executive directors, are recommended and endorsed by the Board for shareholders' approval at the Company's annual general meetings.

Details of the remuneration of the directors for the year ended 30 June 2011 are provided in note 9 to the Financial Statements in this annual report.

C. Accountability and Audit

1. Board Audit Committee ("BAC")

The BAC oversees the financial reporting process and assesses the adequacy and effectiveness of the Company's system of internal control. The BAC meets with the Company's external and internal auditors, and reviews their audit plans, the internal audit programmes, the results of their examinations as well as their evaluations of the system of internal control. It also reviews directors' interests in contracts and connected transactions. The BAC reviews the Group's and the Company's financial statements and the auditors' report thereon and submits its views to the Board. Detailed terms of reference of the BAC is accessible on the Company's website.

Membership and attendance

For the year ended 30 June 2011, the following members and their attendance at the meetings are set out below:

	Meetings attended/held
Chairman	
Sat Pal Khattar	4/4
Members	
Volker Stoeckel	3/4
Roderic N. A. Sage	4/4

The Chief Executive, Chief Financial Officer and Head of Internal Audit are normal attendees of the BAC meetings. Where appropriate, representatives of the external auditors are invited to attend the BAC meetings to present significant audit and accounting matters which they noted in the course of their audit.

Work done during the year

- reviewed the nature and scope of external audit and approved the external audit fee;
- reviewed the interim financial report, the interim results announcement, the annual accounts and the final results announcement;
- reviewed the financial reporting system and related internal control procedures, including the adequacy of resources, qualifications, experience of staff of the accounting and financial reporting function, and their training programmes and budget;
- reviewed the Group's accounting policies and practices;
- reviewed and approved the annual internal audit plan;
- reviewed major findings of internal audit assignments and the progress of implementation of remedial measures on control issues identified; and
- reviewed connected transactions entered into by the Group or subsisting during the year.

C. Accountability and Audit (cont'd)

2. Financial Reporting

The Listing Rules require listed companies to prepare annual financial statements which shall provide a true and fair view of the state of affairs of the companies and of the results of their operations and cashflows.

The Board is responsible for ensuring the maintenance of proper accounting records of the Group. It has also acknowledged its responsibility for preparing the financial statements.

The Board approves the financial statements after taking into account the BAC's comments on specific accounting matters.

The Board is satisfied that appropriate accounting policies have been used in preparing the financial statements, consistently applied and complied with the relevant accounting standards.

A statement of the auditors about their reporting responsibilities is included in the Report of the Auditors on page 64 of this annual report.

3. Internal Controls

The Board, recognising its responsibilities to ensure sound internal controls, has put in place a risk management framework for the Group to:

- identify significant risks faced by the Group in the operating environment as well as evaluate the impact of such risks identified;
- develop necessary measures for managing these risks; and
- monitor and review the effectiveness and adequacy of such measures.

The Board has entrusted the BAC with the responsibility of overseeing the implementation of the Group's risk management framework. In discharging this responsibility, the BAC, assisted by the Group Internal Audit Department and the audit committees of other listed subsidiary groups:

- ensures that new and emerging risks relevant to the Group are promptly identified by management;
- assesses the adequacy of action plans and control systems developed to manage these risks; and
- monitors the implementation of the action plans and the effectiveness and adequacy of the control systems.

These on-going processes are in place, and reviewed periodically by the BAC.

Corporate Governance Report

C. Accountability and Audit (cont'd)

3. Internal Controls (cont'd)

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. These controls provide reasonable, but not absolute, assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board, through the BAC, has conducted an annual review on the Group's system of internal control and considers that it is adequate and effective. The Board is satisfied that the Group has fully complied with the provisions on internal controls as set out in the CGP Code.

4. Auditors' Remuneration

The fees charged by the Group's external auditors for the year in respect of annual audit services amounted to HK$13,316,000 and those in respect of non-audit services amounted to HK$8,483,000.

D. Investor Relations

1. Communication with Investors

The Company encourages two-way communication with both its institutional and private investors. Extensive information about the Company's activities is provided in the interim and annual reports which are distributed to shareholders.

Regular dialogues are maintained with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcome and are dealt with in an informative and timely manner. The enquiries can be directed to the Group Company Secretary via email at the designated mail box – comsec@guoco.com or directly by questions at general meetings of the Company.

In order to promote effective communication, the Company maintains a website at www.guoco.com to provide:

- latest news, announcements, financials including interim and annual reports;
- other corporate communication materials, e.g. notices of meetings, circulars, proxy forms, etc.;
- corporate calendar for important shareholders' dates for current financial year;
- online registration of email alert service for receiving the Company's latest corporate communications; and
- other information relating to the Group and its businesses to the public.

2. Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek clarification and to obtain a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

30 August 2011

Financial Section **Contents**

Report of **the Directors**

The directors of the Company present their report together with the audited financial statements of the Group for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and investment management. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include principal investment, property development and investment, hospitality and leisure business, stock and commodity broking and investment advisory. The principal activities of the associates which materially affected the results of the Group during the year include banking and financing, insurance, fund management, stockbroking and merchant banking, property development as well as leisure business.

The analysis of the principal activities and locations of operations of the Company and its subsidiaries during the year is set out in note 17 to the Financial Statements.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in note 17 to the Financial Statements.

FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2011 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 65 to 167.

DIVIDENDS

An interim dividend of HK$1.00 (2010: HK$0.80) per share totalling HK$329,051,000 (2010: HK$263,241,000) was paid on 17 March 2011. The directors are recommending payment of a final dividend of HK$2.20 per share (2010: HK$2.00) in respect of the year ended 30 June 2011 totalling HK$723,913,000 (2010: HK$658,103,000).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting:

Closure dates of Register of Members (both days inclusive)	23 November 2011 (Wednesday) to 25 November 2011 (Friday)
Latest time to lodge transfers	4:30 p.m. on 22 November 2011 (Tuesday)
Record date	25 November 2011 (Friday)
Annual General Meeting	25 November 2011 (Friday)

For ascertaining shareholders' entitlement to the proposed final dividend:

Closure date of Register of Members	2 December 2011 (Friday)
Latest time to lodge transfers	4:30 p.m. on 1 December 2011 (Thursday)
Record date	2 December 2011 (Friday)
Final dividend payment date	13 December 2011 (Tuesday)

During the periods of the closure of Register of Members, no share transfers will be registered. For registration, all transfer documents 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 before the relevant latest time to lodge transfers.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 30% of the total turnover of the Group and the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US$317,000 (2010: US$350,000).

SHARE CAPITAL, CONVERTIBLE SECURITIES AND WARRANTS

The Company

The Company did not issue any new shares during the year. Details of the share capital of the Company are shown in note 35 to the Financial Statements.

GuocoLand Limited ("GuocoLand", 65.2% controlled by the Company)

GuocoLand issued S$690 million in principal amount of convertible bonds (the "Bonds") in May 2007, which are due on 7 May 2012. In previous financial year, GuocoLand had at the option of the bondholders redeemed and cancelled S$337.8 million of the Tranche 1 Bonds. Details of the Bonds are shown in note 32 to the Financial Statements.

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

During the year, the Company did not redeem any of its listed securities. Neither did the Company nor any of its other subsidiaries purchase or sell any of the Company's listed securities.

TRANSFER TO RESERVES

Profit for the year, before dividend, of US$591.2 million (2010: US$402.8 million) has been transferred to reserves. Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 35 to the Financial Statements respectively.

INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US$56.6 million (2010: approximately US$41.7 million).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 15 to the Financial Statements.

PROPERTIES

Particulars of the major development properties, properties held for sale and investment properties of the Group are shown on pages 168 to 172.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

DIRECTORS

The directors during the year and up to the date of this report are:

Quek Leng Chan – *Executive Chairman*
Kwek Leng Hai – *President, CEO*
Sat Pal Khattar**
Kwek Leng San*
Tan Lim Heng
Volker Stoeckel**
Ding Wai Chuen
Roderic N. A. Sage **

* *Non-executive director*
** *Independent non-executive director*

In accordance with the Company's Bye-Law 99 and Code A.4.2 of the Code of Corporate Governance Practices of the Company, Messrs Kwek Leng Hai, Tan Lim Heng and Roderic N. A. Sage will retire from office by rotation at the forthcoming annual general meeting. All of them, being eligible, offer themselves for re-election.

None of the directors has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

As at 30 June 2011, 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"). Certain information herein is based on additional information of the relevant events on or before 30 June 2011 with the disclosure deadlines under the SFO falling after 30 June 2011.

(A) The Company

	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of the Company	
Director	**Personal interests**	**Corporate interests**	**Total interests**		Note
Quek Leng Chan	1,056,325	245,025,391	246,081,716	74.79%	1
Kwek Leng Hai	3,800,775	–	3,800,775	1.16%	
Sat Pal Khattar	–	691,125	691,125	0.21%	2
Kwek Leng San	209,120	–	209,120	0.06%	
Tan Lim Heng	566,230	–	566,230	0.17%	
Ding Wai Chuen	5,000	–	5,000	0.00%	

* *Ordinary shares unless otherwise specified in the Notes*

Notes:

1. The total interests of 246,081,716 shares/underlying shares comprised 240,881,716 ordinary shares of the Company and 5,200,000 underlying shares of other unlisted derivatives.

   The corporate interests of 245,025,391 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/ underlying shares
GuoLine Overseas Limited ("GOL")	235,198,529
GuoLine Capital Limited ("GCL")	5,200,000
Asian Financial Common Wealth (PTC) Limited ("AFCW")	4,026,862
Chaghese Limited ("CL")	600,000

   AFCW was wholly owned by the Company which was in turn 71.48% owned by GOL. GOL and GCL were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM was 48.96% owned by Mr Quek Leng Chan as to 2.424% under his personal name and 46.534% via HL Holdings Sdn Bhd which was wholly owned by him.

   CL was wholly owned by Mr Quek Leng Chan.

2. The corporate interests of 691,125 shares were directly held by Khattar Holdings Pte Ltd which was 51% owned by Mr Sat Pal Khattar.

Report of the Directors

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

(B) Associated Corporations

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

	Number of *shares (Long Position)			Approx. %	
Director	**Personal interests**	**Corporate interests**	**Total interests**	**of the issued share capital of HLCM**	
Quek Leng Chan	390,000	7,487,100	7,877,100	48.96%	Note
Kwek Leng Hai	420,500	–	420,500	2.61%	
Kwek Leng San	117,500	–	117,500	0.73%	

* *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.

(b) GuocoLand Limited ("GLL")

	Number of *shares/underlying shares (Long Position)			Approx. %	
Director	**Personal interests**	**Corporate interests**	**Total interests**	**of the issued share capital of GLL**	Notes
Quek Leng Chan	13,333,333	872,894,462	886,227,795	74.89%	1
Kwek Leng Hai	35,290,914	–	35,290,914	2.98%	
Sat Pal Khattar	1,222,221	17,253,087	18,475,308	1.56%	2
Tan Lim Heng	1,337,777	–	1,337,777	0.11%	
Volker Stoeckel	1,461,333	–	1,461,333	0.12%	

* *Ordinary shares unless otherwise specified in the Notes*

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

(B) Associated Corporations (cont'd)

(b) GuocoLand Limited ("GLL") (cont'd)

Notes:

1. The total interests of 886,227,795 shares/underlying shares comprised 831,244,363 ordinary shares of GLL, 46,258,994 underlying shares of other unlisted derivatives and 8,724,438 underlying shares of other listed derivatives.

   The corporate interests of 872,894,462 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/ underlying shares
GuocoLand Assets Pte Ltd ("GAPL")	772,032,426
GuoLine Capital Limited ("GCL")	46,258,994
Hong Leong Assurance Berhad ("HLA")	8,497,338
Hong Leong Insurance (Asia) Limited" ("HLIA")	227,100
Newton (Cayman) Limited ("NCL")	32,461,318
Chaghese Limited ("CL")	13,417,286

   HLIA was wholly owned by HLA Holdings Sdn Bhd ("HLAH"). HLA was 70% owned by HLAH which was in turn wholly owned by Hong Leong Financial Group Berhad ("HLFG"). HLFG was 77.31% owned by Hong Leong Company (Malaysia) Berhad ("HLCM").

   NCL was wholly owned by Newton Resources Sdn Bhd which was in turn wholly owned by Newton (L) Limited. Newton (L) Limited was wholly owned by Newton Capital Group Limited which was in turn 2.424% owned by Mr Quek Leng Chan and 46.534% owned by HL Holdings Sdn Bhd.

   GAPL was wholly owned by the Company. The respective controlling shareholders of the Company, CL, GCL and HLCM as well as their respective percentage control are shown in the Note under Part (A) above.

2. The corporate interests of 17,253,087 shares comprised the respective direct interests held by:

	Number of shares
Khattar Holdings Pte Ltd ("KHP")	15,919,754
Espeekay Holdings Pte Ltd ("EHP")	1,333,333

   KHP and EHP were 51% and 50% owned by Mr Sat Pal Khattar respectively.

Report of the Directors

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

(B) Associated Corporations (cont'd)

(c) Hong Leong Financial Group Berhad ("HLFG")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLFG	
Quek Leng Chan	4,989,600	856,803,000	861,792,600	81.86%	Note
Kwek Leng Hai	2,316,800	–	2,316,800	0.22%	
Kwek Leng San	600,000	–	600,000	0.06%	
Tan Lim Heng	245,700	–	245,700	0.02%	

* *Ordinary shares unless otherwise specified in the Note*

Note:

The total interests of 861,792,600 shares/underlying shares comprised 824,903,500 ordinary shares of HLFG and 36,889,100 underlying shares of other unlisted derivatives.

The corporate interests of 856,803,000 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/ underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,773,354
Hong Leong Share Registration Services Sdn Bhd ("HLSRS")	3,600
GuoLine Capital Limited ("GCL")	36,889,100
Guoco Assets Sdn Bhd ("GASB")	267,079,946
Soft Portfolio Sdn Bhd ("SPSB")	6,057,000

GASB was wholly owned by the Company. HLSRS was wholly owned by HLCM Capital Sdn Bhd which was in turn 35.21% and 64.79% owned by HLCM and Adjuvant (M) Sdn Bhd ("AMSB") respectively. AMSB was wholly owned by HLCM.

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

SPSB was 99% owned by Mr Quek Leng Chan.

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

(B) Associated Corporations (cont'd)

(d) GuocoLand (Malaysia) Berhad ("GLM")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of GLM	
Quek Leng Chan	19,506,780	476,928,096	496,434,876	70.87%	Note
Kwek Leng Hai	226,800	–	226,800	0.03%	
Sat Pal Khattar	152,700	–	152,700	0.02%	
Tan Lim Heng	326,010	–	326,010	0.05%	

* *Ordinary shares unless otherwise specified in the Note*

Note:

The total interests of 496,434,876 shares/underlying shares comprised 474,705,376 ordinary shares of GLM and 21,729,500 underlying shares of other unlisted derivatives.

The corporate interests of 476,928,096 shares comprised the respective direct interests held by:

	Number of shares/ underlying shares
GLL (Malaysia) Pte Ltd ("GLLM")	455,130,580
GuoLine Capital Limited ("GCL")	21,797,516

GLLM was wholly owned by GuocoLand Limited which was in turn 65.24% owned by GuocoLand Assets Pte Ltd ("GAPL"). The controlling shareholder of GAPL and its percentage control are shown in the Note under Part (B)(b) above.

The controlling shareholder of GCL and its percentage control are shown in the Note under Part (A) above.

(e) GuocoLeisure Limited ("GL")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of GL	
Quek Leng Chan	735,000	906,922,434	907,657,434	66.35%	Note
Tan Lim Heng	950,000	–	950,000	0.07%	

* *Ordinary shares*

Note:

The corporate interests of 906,922,434 were directly held by GuocoLeisure Assets Limited which was in turn wholly owned by the Company. The controlling shareholder of the Company and its percentage control are shown in the Note under Part (A) above.

Report of the Directors

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

(B) Associated Corporations (cont'd)

(f) *Hong Leong Industries Berhad ("HLI")*

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLI	
Kwek Leng Hai	190,000	–	190,000	0.06%	
Sat Pal Khattar	198,580	348,500	547,080	0.17%	Note
Kwek Leng San	2,520,000	–	2,520,000	0.79%	

* *Ordinary shares*

Note:

The corporate interests of 348,500 shares were held by Khattar Capital International Pte Ltd ("KCIP"). KCIP was wholly owned by Sassoon Holdings Pte Ltd which was in turn wholly owned by Khattar Holdings Pte Ltd ("KHP"). KHP was 51% owned by Mr Sat Pal Khattar.

(g) *Hong Leong Bank Berhad ("HLB")*

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLB
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*

(h) *Hong Leong Capital Berhad ("HLCB")*

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLCB
Kwek Leng Hai	1,000,000	–	1,000,000	0.41%
Kwek Leng San	119,000	–	119,000	0.05%

* *Ordinary shares*

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

(B) Associated Corporations (cont'd)

(i) Malaysian Pacific Industries Berhad ("MPI")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of MPI	
Kwek Leng Hai	71,250	–	71,250	0.04%	
Sat Pal Khattar	284,468	130,688	415,156	0.21%	Note
Kwek Leng San	1,260,000	–	1,260,000	0.63%	

* *Ordinary shares*

Note:

The corporate interests of 130,688 shares were held by Khattar Capital International Pte Ltd ("KCIP"). KCIP was wholly owned by Sassoon Holdings Pte Ltd which was in turn wholly owned by Khattar Holdings Pte Ltd ("KHP"). KHP was 51% owned by Mr Sat Pal Khattar.

(j) Narra Industries Berhad ("NIB")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of NIB	
Quek Leng Chan	8,150,200	38,304,000	46,454,200	74.70%	Note

* *Ordinary shares*

Note:

The corporate interests of 38,304,000 shares were directly held by Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). HLMG was wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). The controlling shareholders of HLCM and their percentage control are shown in the Note under Part (A) above.

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

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of LSHK
Kwek Leng Hai	2,300,000	–	2,300,000	0.95%
Tan Lim Heng	274,000	–	274,000	0.11%
Ding Wai Chuen	10,000	–	10,000	0.00%

* *Ordinary shares*

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

(C) Others

Associated Corporations in which Mr Quek Leng Chan was deemed to be interested solely through his deemed controlling interest in HLCM and/or its subsidiaries

Carsem (M) Sdn Bhd
Carter Realty Sdn Bhd
Guangzhou Lam Soon Food Products Limited
Guocera Tile Industries (Labuan) Sdn Bhd
Guocera Tile Industries (Meru) Sdn Bhd
Guocera Tile Industries (Vietnam) Co., Ltd
GuocoLand Limited*
Hong Leong Assurance Berhad
Hong Leong Bank Berhad
Hong Leong Capital Berhad
Hong Leong Industries Berhad
Hong Leong MSIG Takaful Berhad
Hong Leong Yamaha Motor Sdn Bhd
Kwok Wah Hong Flour Company Limited
Lam Soon (Hong Kong) Limited
Luck Hock Venture Holdings, Inc.
M.C. Packaging Offshore Limited
Malaysian Pacific Industries Berhad
RZA Logistic Sdn Bhd
The Rank Group Plc

* *In respect of interests in debentures only*

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 qualifying shares in certain subsidiaries in trust for other subsidiaries of the Company.

Save as disclosed above, as at 30 June 2011, 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 directors of 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 ("Adoption Date") for the purpose of providing the employees or directors of the Company or any of its subsidiaries or associated companies (the "Eligible Employees") the opportunity of participating in the growth and success of the Group through the grant of options over newly issued shares of the Company.

The number of new shares of the Company that may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the Adoption Date, i.e. 32,408,137 which represents approximately 9.85% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Eligible Employee in respect of the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant shall not exceed 1% of the shares of the Company in issue as at any date of grant.

SHARE OPTIONS (cont'd)

The Company (cont'd)

Share Option Scheme (cont'd)

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of the share option. It will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option; and (c) the nominal value of a share.

A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days inclusive of, and from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant in respect of such offer.

The life of the Share Option Scheme is 10 years from the Adoption Date. The Share Option Scheme shall remain valid and effective till 28 November 2011.

No option has ever been granted to any Eligible Employee pursuant to the Share Option Scheme up to 30 June 2011.

Share Option Plan

On 16 December 2002 ("SOP Adoption Date"), the Company adopted a share option plan (the "Share Option Plan") for the purpose of motivating the employees and directors of the group companies and the employees of associated companies (the "Participants") and allowing them to participate in the growth of the Company through the grant of options over existing shares of the Company.

Unlike a traditional employee share option scheme, the Share Option Plan does not involve options over newly issued shares of the Company and thereby avoids the uncertainty for the shareholders of potential dilutionary effect on the Company's issued share capital from time to time. A trust (the "Trust") has been set up for the purpose of acquiring existing shares of the Company from time to time to satisfy the exercise of options which may be granted under the Share Option Plan. A wholly owned subsidiary of the Company as the trustee is responsible for administering the Trust.

The number of existing shares of the Company that may be transferred upon exercise of all share options to be granted under the Share Option Plan shall not in aggregate exceed 10% of the issued share capital of the Company as at the SOP Adoption Date, i.e. 32,496,137 which represents approximately 9.88% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Participant in respect to the total number of shares transferred and to be transferred upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant shall not exceed 1% of the shares of the Company in issue as at any date of grant.

The exercise price per share of an option for the purchase of a share shall not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option, which must be a business day; and (c) the nominal value of a share.

A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant of such option.

The life of the Share Option Plan is 10 years from the SOP Adoption Date. The Share Option Plan shall remain valid and effective till 15 December 2012.

No option has ever been granted to any Participant pursuant to the Share Option Plan up to 30 June 2011.

SHARE OPTIONS (cont'd)

GuocoLand Limited ("GLL")

GuocoLand Limited Executives' Share Option Scheme (the "GLL ESOS" and now known as "Modified GLL ESOS")

The GLL 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 approvals of shareholders of both GLL and the Company were sought to effect various amendments to the rules of the GLL ESOS (the "Rules") to, among others, allow the grant of options over newly issued and/or existing shares of GLL and to align the Rules with Chapter 17 of the Listing Rules (the "Modified GLL ESOS").

Subsequently, as the Modified GLL ESOS was due to expire on 30 December 2008, a new GuocoLand Limited Executives' Share Option Scheme 2008 (the "GLL ESOS 2008") was adopted in place of the Modified GLL ESOS on 21 November 2008, to provide for continuation of an executives' share option scheme on terms substantially similar to the Modified GLL ESOS. With the GLL ESOS 2008 in place, the Modified GLL ESOS is no longer in force. The termination of the Modified GLL ESOS however does not affect outstanding options which had been granted and accepted thereunder.

As at 1 July 2010, outstanding options granted under the Modified GLL ESOS comprised 24,186,750 GLL shares. Following the close of the rights issue of GLL in December 2010, there was an increase of 1,676,143 GLL shares comprised in the options. Adjustments were also made to the exercise price of the options. During the year, no options were granted under the Modified GLL ESOS and no options were exercised nor had any options lapsed. As at 30 June 2011, the number of GLL shares comprised in the outstanding options was 25,862,893.

Details of the said options are as follows:

		* No. of GLL shares comprised in options						
Date of grant	Grantees	* As at 1 Jul 2010	Exercise price per GLL share	* Lapsed/ exercised during the year	* Increase due to adjustment arising from rights issue of GLL during the year	* As at 30 Jun 2011	Notes	Adjusted exercise price per GLL share
19 January 2007	Quek Chee Hoon	11,382,000	S$2.328	–	788,773	12,170,773	1 & 2	S$2.177
	Other employees	12,804,750	S$2.328	–	887,370	13,692,120	1	S$2.177
	Total:	24,186,750			1,676,143	25,862,893		

Notes:

1. Subject to certain financial and performance targets being met by the grantees during the performance period for the financial years 2005/06 to 2010/11, the grantees at the end of the performance period may be notified by the GLL ESOS Committee of the vesting of the options and the number of GLL shares comprised in the vested options. Thereafter, grantees shall have a phased period of up to 30 months to exercise the vested options in accordance with the terms of the grant.

2. Mr Quek Chee Hoon, the Group President and Chief Executive Officer of GLL, is an option holder under Rule 17.07(ii) of the Listing Rules.

SHARE OPTIONS (cont'd)

GuocoLand Limited ("GLL") (cont'd)

GuocoLand Limited Executives' Share Option Scheme 2008 (the "GLL ESOS 2008")

The GLL ESOS 2008 was approved by the shareholders of GLL on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the "Effective Date") to replace the Modified GLL ESOS. Under the GLL ESOS 2008, options may be granted over newly issued and/or existing shares of GLL to eligible participants including employees and executive directors of GLL and its subsidiaries who are not controlling shareholders of GLL.

The GLL ESOS 2008 provides an opportunity for the employees of the GLL Group who have contributed to the growth and development of the GLL Group to participate in the equity of GLL.

The GLL ESOS Committee shall select confirmed employees (including executive directors) of the GLL Group to become participants in the GLL ESOS 2008.

The number of GLL shares over which the GLL ESOS Committee may grant options under the GLL ESOS 2008 on any date shall not in aggregate exceed 15% of the issued share capital of GLL on the day preceding that date, provided that the maximum aggregate number of new GLL shares over which the GLL ESOS Committee may grant options when added to the number of new GLL shares issued and issuable in respect of all options granted under the GLL ESOS 2008, shall not exceed 10% of the issued share capital of GLL as at the Effective Date. As at the date of this report, the total number of new GLL shares available for issue over which options under the GLL ESOS 2008 may be granted is 88,752,995, which represents approximately 10% of the issued share capital of GLL.

The maximum entitlement of any participant in respect of the total number of new GLL shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed 1% of the share capital of GLL in issue as at any date of grant.

The grant of option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S$1 as consideration.

The exercise price per GLL share shall be a price equal to the 5-day weighted average market price of the GLL shares immediately prior to the date of grant of the option. An option shall be exercisable within such period commencing on the date after (a) the second anniversary of the date of grant (for participants who have been employed for less than one year) and (b) the first anniversary of the date of grant (for all other participants) and ending on a date not later than 10 years after the date of grant.

The GLL ESOS 2008 shall continue to be in force at the discretion of the GLL ESOS Committee, subject to a maximum period of 10 years commencing on the Effective Date till 20 November 2018.

As at 1 July 2010, outstanding options granted under the GLL ESOS 2008 comprised 10,250,000 GLL shares. During the year, options comprising 3,069,300 GLL shares lapsed arising from the resignation of two grantees in July 2010 and January 2011. No options were granted or exercised. Following the close of the rights issue of GLL in December 2010, there was an increase of 571,725 GLL shares comprised in the options and adjustments were also made to the exercise price of the options. As at 30 June 2011, the number of GLL shares comprised in the outstanding options was 7,752,425.

Report of the Directors

SHARE OPTIONS (cont'd)

GuocoLand Limited ("GLL") (cont'd)

GuocoLand Limited Executives' Share Option Scheme 2008 (the "GLL ESOS 2008") (cont'd)

Details of the said options are as follows:

		* No. of GLL shares comprised in options						
Date of grant	Grantees	* As at 1 Jul 2010	Exercise price per GLL share	* Lapsed/ exercised during the year	* Increase due to adjustment arising from rights issue of GLL during the year	* As at 30 Jun 2011		Adjusted exercise price per GLL share
28 September 2009	Employees	10,250,000	S$2.29	3,069,300	571,725	7,752,425	Note	S$2.142
	Total:	10,250,000				7,752,425		

Note:

Subject to certain financial and performance targets being met by the grantees during the performance period for the financial years 2009/10 to 2011/12, the grantees at the end of the performance period may be notified by the GLL ESOS Committee of the vesting of the options. Thereafter, grantees shall have a phased period of up to 30 months to exercise the vested options in accordance with the terms of the grant. The exercise price was determined based on the 5-day weighted average market price of GLL shares immediately prior to 28 September 2009. The weighted average market price per GLL share as at 28 September 2009 was S$2.28.

GuocoLeisure Limited ("GL")

The GuocoLeisure Limited Executives' Share Option Scheme 2008 (the "GL ESOS 2008")

The GL ESOS 2008 was approved by the shareholders of GL on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the "GL ESOS Effective Date"). The GL ESOS 2008 allows the grant of options over newly issued and/or existing shares of GL to eligible participants including employees and executive directors of GL and its subsidiaries (the "GL Group") who are not controlling shareholders of GL.

The GL ESOS 2008 provides an opportunity for the employees of the GL Group who have contributed to the growth and development of the GL Group to participate in the equity of GL.

A committee (the "GL ESOS Committee") comprising directors of GL who are presently not participants of the GL ESOS 2008 shall select confirmed employees (including executive directors) of the GL Group to become participants in the GL ESOS 2008.

SHARE OPTIONS (cont'd)

GuocoLeisure Limited ("GL") (cont'd)

The GuocoLeisure Limited Executives' Share Option Scheme 2008 (the "GL ESOS 2008") (cont'd)

The number of GL shares comprised in the options which the GL ESOS Committee may grant under the GL ESOS 2008 on any date shall not in aggregate exceed 15% of the issued share capital of GL on the day preceding that date, provided that the maximum aggregate number of new GL shares comprised in the options which the GL ESOS Committee may grant when added to the number of new GL shares issued and issuable in respect of all options granted under the GL ESOS 2008, shall not exceed 10% of the issued share capital of GL as at the GL ESOS Effective Date. As at the date of this report, the total number of new GL shares available for issue over which options under the GL ESOS 2008 may be granted is 136,806,363, which represents approximately 10% of the issued share capital of GL.

The maximum entitlement of any participant in respect of the total number of new GL shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed 1% of the share capital of GL in issue as at any date of grant.

The grant of an option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S$1 as consideration.

The exercise price per GL share shall be a price equal to the 5-day weighted average market price of the GL shares immediately prior to the date of grant of the option. An option shall be exercisable within such period commencing on the date after (a) the second anniversary of the date of grant (for participants who have been employed for less than one year), and (b) the first anniversary of the date of grant (for all other participants) and ending on a date not later than 10 years after the date of grant.

The GL ESOS 2008 shall continue to be in force at the discretion of the GL ESOS Committee, subject to a maximum period of 10 years commencing from the GL ESOS Effective Date till 20 November 2018.

No option was outstanding as at 1 July 2010. During the year, options comprising 5,300,000 GL shares were granted and no options were exercised. As at 30 June 2011, the number of GL shares comprised in the outstanding options granted under the GL ESOS 2008 was 5,300,000.

Details of the said options are as follows:

		No. of GL shares comprised in options					
Date of grant	**Grantees**	**As at 1 Jul 2010**	**Granted during the year**	**Exercised during the year**	**As at 30 Jun 2011**	Notes	**Exercise price per GL share**
16 December 2010	Employees	–	5,300,000	–	5,300,000	1 & 2	S$0.713
				Total:	5,300,000		

Report of the Directors

SHARE OPTIONS (cont'd)

GuocoLeisure Limited ("GL") (cont'd)

The GuocoLeisure Limited Executives' Share Option Scheme 2008 (the "GL ESOS 2008") (cont'd)

Notes:

1. The options will have a validity period commencing from the date of grant on 16 December 2010 and expiring on 16 March 2014. Each tranche of shares underlying the options granted will be exercisable for periods of between 3 to 6 months from the respective dates of vesting, with the last tranche of shares underlying the options having a validity period which expires on 16 March 2014. The exercise price was determined based on the 5-day weighted average market price of GL shares immediately prior to 16 December 2010. The weighted average market price per GL share on 16 December 2010 was S$0.7149.

2. Based on the Black-Scholes option pricing model, the fair values of the options granted as at the date of grant ranged from S$0.189 to S$0.263 per option. The assumptions in the Black-Scholes model used to estimate the value of the options are as follows:

   - risk-free interest rate of 2.04%, based on 5 years' historical yield of Singapore Government Securities bonds in issue on the date of grant;
   - expected volatility of 56.7%, based on 5 years' historical volatility prior to the date of grant;
   - expected dividend yield of 1.99%, based on 5 years' historical dividend payout over the market share price of GL on the date of grant; and
   - expected option life of 1.5 years to 3.25 years.

   The Black-Scholes option pricing model requires the input of subjective assumptions which can affect the fair value estimates. As such, the model does not necessarily provide a single definitive measure of the fair value of the share options granted.

GuocoLand (Malaysia) Berhad ("GLM")

Executive Share Option Scheme (the "GLM ESOS")

The GLM ESOS as approved by the shareholders of GLM, was established on 23 January 2006 ("GLM Adoption Date"). Under the GLM ESOS, the exercise of options could be satisfied through issuance of new shares and/or transfer of existing shares of GLM. On 1 June 2007 ("Approval Date"), the approval of shareholders of the Company was sought to effect various amendments to the Bye-Laws of the GLM ESOS for the purpose of compliance with Chapter 17 of the Listing Rules (the "Modified GLM ESOS").

The Modified GLM ESOS provides an opportunity for the eligible participants (selected by the board of directors of GLM or its duly authorised committee/individual, the "GLM Board") being executives or directors of GLM and its subsidiaries (the "GLM Group") who have contributed to the growth and development of the GLM Group to participate in the equity of GLM.

SHARE OPTIONS (cont'd)

GuocoLand (Malaysia) Berhad ("GLM") (cont'd)

Executive Share Option Scheme (the "GLM ESOS") (cont'd)

The number of GLM shares over which the GLM Board may grant options under the Modified GLM ESOS on any date shall not in aggregate exceed 15% of the issued and paid-up ordinary share capital of GLM at any one time provided that the total number of new GLM shares which may be issued upon exercise of options to be granted under the Modified GLM ESOS shall not in aggregate exceed 10% of the issued and paid-up ordinary share capital of GLM as at the Approval Date. Accordingly, the maximum number of new GLM shares available for issue over which options under the Modified GLM ESOS may be granted is 70,045,851, which represents approximately 10% of the issued and paid-up ordinary share capital of GLM as at the date of this report.

The maximum entitlement of any participant in respect of the total number of new GLM shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed nominal value of 1% of the issued and paid-up ordinary share capital of GLM in issue as at any date of grant.

The grant of option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of RM1 as non-refundable consideration.

The GLM Board may at its discretion determine the exercise price for each GLM share provided that such exercise price so fixed shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of GLM shares preceding the date of grant and shall in no event be less than the par value of the GLM shares. An option shall be exercisable at any time during the option period which shall be determined by the GLM Board provided that such period shall not be more than 10 years from the GLM Adoption Date.

The Modified GLM ESOS shall continue to be in force for a period of 10 years commencing from the GLM Adoption Date till 22 January 2016.

Since the establishment up to 30 June 2011, no options had been granted pursuant to the Modified GLM ESOS.

Save for above, certain other subsidiaries of Hong Leong Company (Malaysia) Berhad maintain share option schemes or plans which subsisted at the end of the year or at any time during the year, under which eligible directors of the Company may be granted share options for acquisition of shares of respective companies concerned. No person, being a director of the Company during the year, held shares acquired in pursuance of certain aforesaid share option schemes or plans.

Apart from the above, at no time during the year was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements 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.

Report of the Directors

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2011, 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	244,425,391	1	74.28%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	244,425,391	2 & 3	74.28%
Hong Leong Investment Holdings Pte Ltd ("HLInvt")	Interest of controlled corporations	244,425,391	2 & 4	74.28%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	244,425,391	2 & 5	74.28%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	244,425,391	2 & 6	74.28%
Arnhold and S. Bleichroeder Advisers, LLC	Investment Manager	19,758,840		6.00%
Artisan Partners Limited Partnership ("APLP")	Investment Manager	16,453,132		5.00%
Artisan Partners Holdings LP ("APHL")	Investment Manager	16,453,132	7 & 8	5.00%
ZFIC, Inc. ("ZFIC")	Investment Manager	16,453,132	7 & 9	5.00%

Notes:

1. These interests comprised 239,225,391 ordinary shares of the Company and 5,200,000 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")	235,198,529
GuoLine Capital Limited ("GCL")	5,200,000
Asian Financial Common Wealth (PTC) Limited ("AFCW")	4,026,862

   AFCW was wholly owned by the Company which was in turn 71.48% owned by GOL. GOL and GCL were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by HLCM.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (cont'd)

Notes: (cont'd)

2. The interests of HLCM, HLH, HLInvt, Davos and KLK are duplicated.

3. HLH was deemed to be interested in these interests through its controlling interests in HLCM which was 48.96% owned by Mr Quek Leng Chan as to 2.424% under his personal name and 46.534% via HL Holdings Sdn Bhd which was wholly owned by him.

4. HLInvt was deemed to be interested in these interests through its controlling interests of 34.38% in HLCM.

5. Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLInvt.

6. KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

7. The interests of APLP, APHL and ZFIC are duplicated.

8. APHL was deemed to be interested in these interests through its controlling interests of 100% in both APLP and Artisan Investments GP LLC.

9. ZFIC was deemed to be interested in these interests through its controlling interests of 100% in Artisan Investment Corporation which wholly owned APHL.

Save as disclosed above, as at 30 June 2011, 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 should 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.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

Master Services Agreements

The following master services agreements dated 25 June 2008 were entered into by the Company (together with its subsidiaries, the "Group") with certain Hong Leong group companies for the provision by the latter of management services including overview of businesses and operations, investment management and financial management disciplines, treasury and risk management, key managerial recruitment and retention, productivity and quality programmes and other operating practices and procedures as well as planning and development of management information system (the "Services"):

1. the master services agreement entered into by the Company with GuoLine Group Management Co. Limited ("GGMC") and GOMC Limited ("GOMC") for provision of the Services by GGMC or GOMC to the Company and/or all the subsidiaries of the Company from time to time excluding those subsidiaries which are from time to time incorporated, resident or having principal place of business in Malaysia ("Malaysian Subsidiaries") (hereinafter referred to as "GGMC/GOMC Agreement"); and

2. the master services agreement entered into by the Company with HL Management Co Sdn Bhd ("HLMC") for provision of the Services by HLMC to the Malaysian Subsidiaries (hereinafter referred to as "HLMC Agreement"),

(collectively, the "Master Services Agreements").

The Master Services Agreements are for a term of three financial years from 1 July 2008 to 30 June 2011.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Master Services Agreements (cont'd)

The fees payable under the respective Master Services Agreements comprise a monthly fee (the "Monthly Fee") as agreed from time to time between the Company or such service recipient and the relevant service provider and an annual fee (the "Annual Fee") equal to three per cent of the annual profit before tax of such service recipient as shown in its audited profit and loss account for the relevant financial year, subject to appropriate adjustment, if any.

The total fees, being the sum of the Monthly Fee, the Annual Fee and the total amount of any fees paid or payable by the Group to any Hong Leong group company for services of a similar nature as the Services, are subject to an annual cap of HK$352,000,000 (the "Annual Cap") for each of the three financial years ending 30 June 2011.

GGMC, GOMC and HLMC are indirect wholly owned subsidiaries of Hong Leong Company (Malaysia) Berhad ("HLCM"), the ultimate holding company of the Company and thus they are associates of connected person of the Company under the Hong Kong Listing Rules (the "Listing Rules").

As Mr Quek Leng Chan and his associate own 5% or more of the issued share capital of HLCM, he is deemed materially interested in the Master Services Agreements pursuant to the Bye-Laws of the Company.

The independent non-executive directors of the Company had reviewed the transactions under the Master Services Agreements during the year and confirmed that:

a. the transactions under the Master Services Agreements for the year were entered into:

   – in the ordinary and usual course of business of the Group;

   – on terms no less favourable to the Group than the respective terms available from independent third parties; and

   – in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

b. the total services fees paid and payable by the Group under the respective Master Services Agreements for the year were as follows:

	Services fees paid and payable by the Group HK$'000
GGMC/GOMC Agreement	97,466
HLMC Agreement	3,132
Total:	100,598
	(<HK$352 million)

The aggregate services fees paid and payable by the Group under the Master Services Agreements for the year amounted to approximately HK$100.6 million which did not exceed the Annual Cap of HK$352 million as disclosed in the Company's announcement dated 25 June 2008.

New master services agreements were entered into by the Company with (1) GGMC and GOMC; and (2) HLMC on 4 July 2011 for a term of three financial years from 1 July 2011 to 30 June 2014.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Share Option Schemes

1. *Provision of Finances to the Trust for the Executives' Share Option Schemes of GuocoLand Limited*

   GuocoLand Limited ("GLL") obtained shareholders' approval in October 2004 to modify its Executives' Share Option Scheme (the "GLL ESOS") to provide for the satisfaction of the exercise of options through issue of new GLL shares and/or transfer of existing GLL shares. Approval of the shareholders of the Company on such modification to the GLL ESOS was also obtained in October 2004.

   A trust for the GLL ESOS (the "GLL Trust") was established pursuant to a trust deed (the "Trust Deed") between GLL and a trustee of the GLL Trust (the "Trustee" which is a trust company unrelated to GLL) to acquire existing GLL shares for the purpose of the GLL ESOS. GLL or its subsidiaries ("GLL Group") will provide finances to the GLL Trust from time to time to enable it to acquire existing GLL shares for the purpose of the GLL ESOS.

   The GLL ESOS was terminated on 21 November 2008 and was replaced by a new GuocoLand Limited Executives' Share Option Scheme 2008 adopted on even date (the "GLL ESOS 2008"). The trust deed for the GLL ESOS was then amended such that the Trustee may also hold GLL shares for the purpose of the GLL ESOS 2008.

   The GLL Trust, whose beneficiaries include eligible participants of the GLL ESOS or the GLL ESOS 2008 who may be executive directors of the GLL Group, is deemed to be a connected person of the Company under the Listing Rules.

   The provision of finances to the GLL Trust from time to time constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

   The independent non-executive directors of the Company had reviewed such continuing connected transactions during the year and confirmed that during the year, the maximum subsisting amount of the finances provided by the GLL Group for the purchases of existing GLL shares was approximately S$140 million which did not exceed the cap amount of S$150 million or its equivalent as disclosed in the announcement of the Company dated 27 August 2010. The provision of such finances were made:

   - in the ordinary and usual course of business of the Group;
   - on normal commercial terms; and
   - in accordance with the relevant document governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Share Option Schemes (cont'd)

2. *Provision of Finances to the Trust for the Executive Share Option Scheme of GuocoLand (Malaysia) Berhad ("GLM ESOS")*

   The GLM ESOS was approved and adopted by the shareholders of GuocoLand (Malaysia) Berhad ("GLM") in January 2006 to provide for the satisfaction of the exercise of options through issue of new GLM shares and/or transfer of existing GLM shares. The GLM ESOS with modifications in compliance with the Listing Rules was approved by the shareholders of the Company in June 2007.

   A trust for the GLM ESOS (the "GLM Trust") was established pursuant to a trust deed between GLM and a trustee of the GLM ESOS Trust (the "Trustee", an indirect subsidiary of HLCM which is the ultimate holding company of the Company) to acquire existing GLM shares for the purpose of the GLM ESOS. GLM or its subsidiaries ("GLM Group") will provide finances to the GLM Trust from time to time to enable it to acquire the existing GLM shares for the purpose of the GLM ESOS.

   The GLM Trust, whose beneficiaries include eligible participants of the GLM ESOS who may be chief executives and directors of the GLM Group, is deemed to be a connected person of the Company under the Listing Rules.

   The provision of finances to the GLM Trust from time to time constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

   The independent non-executive directors of the Company had reviewed such continuing connected transactions during the year and confirmed that during the year, the maximum subsisting amount of the finances provided by the GLM Group for the purchases of existing GLM shares was approximately RM24 million which did not exceed the cap amount of RM83 million as disclosed in the announcement of the Company dated 30 June 2009. The provision of such finances were made:

   - in the ordinary and usual course of business of the Group;

   - on normal commercial terms; and

   - in accordance with the relevant document governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Banking Transactions

The Group has from time to time entered into, and may in future enter into, among others, the following transactions with the authorised financial institutions within Hong Leong group including Hong Leong Bank Berhad ("HLB") and Hong Leong Islamic Bank Berhad ('HLIB") (collectively, "Hong Leong Financial Institutions"):

- placing of deposits by the Group with Hong Leong Financial Institutions; and

- subscription for or purchase by the Group of debt securities issued by Hong Leong Financial Institutions,

(collectively, the "Banking Transactions").

The Banking Transactions are part of the treasury activities of the Group in the ordinary and usual course of its business. The treasury functions involve the management of cashflows and cash resources, which the Group conducts with various financial institutions.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Banking Transactions (cont'd)

HLB is an indirect subsidiary of HLCM and a subsidiary of an associated company of the Company while HLIB is a wholly owned subsidiary of HLB. The Banking Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As Mr Quek Leng Chan and his associate own 5% or more of the issued share capital of HLCM, he is deemed materially interested in the Banking Transactions pursuant to the Bye-Laws of the Company.

From time to time during the year, the Group had placed deposits (including savings, current and other deposits in various currencies) with Hong Leong Financial Institutions as the deposit accepting banks (the "Deposit Transactions") and had purchased debt securities issued by Hong Leong Financial Institutions (the "Debt Securities Transactions"). As at 30 June 2011, the balance of deposits placed by the Group with Hong Leong Financial Institutions was approximately US$19 million and no debt securities were held by the Group.

The Deposit Transactions and Debt Securities Transactions were based on the relevant market rates at the time of each transaction and are broadly the same as those engaged by the Group with other unconnected financial institutions. The interest rate for the savings and time deposits for various currencies placed by the Group with the Hong Leong Financial Institutions ranged from 0.0725% to 3.00% per annum and the tenor of the time deposits ranged from overnight to 2 months. The coupon rate for the debt securities issued by Hong Leong Financial Institutions held by the Group ranged from 3.75% to 4.85% per annum.

The independent non-executive directors of the Company had reviewed the Banking Transactions during the year and confirmed that,

a. during the year, the maximum aggregate outstanding balance of deposits placed by the Group with Hong Leong Financial Institutions and principal amount in respect of the debt securities issued by Hong Leong Financial Institutions held by the Group was approximately US$63 million which did not exceed the cap amount of US$70 million or its equivalence as disclosed in the announcement of the Company dated 24 June 2009; and

b. the Deposit Transactions and the Debt Securities Transactions were entered into:

   - in the ordinary and usual course of business of the Group;

   - on normal commercial terms; and

   - in accordance with the relevant documents governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions as mentioned above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 57 to 61 of this Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Report of the Directors

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Connected Transaction

Standby Purchase Agreement with Hong Leong Investment Bank Berhad ("HLIB")

In connection with the initial public offering of ordinary shares of Petronas Chemicals Group Berhad ("PCGB"), HLIB entered into, together with other joint underwriters, an underwriting agreement with PCGB (the "PCGB Underwriting Agreement") to underwrite a portion of the retail offering.

On 8 November 2010, Guoco Management Company Limited ("GMCL"), a wholly owned subsidiary of the Company as the standby purchaser, entered into a standby purchase agreement (the "Agreement") with HLIB in respect of the purchase of certain allocated shares of PCGB subject to such number equal to or less than the number of PCGB shares which when multiplied by the issue price would be equivalent to a maximum committed amount of RM30,300,000. The relevant purchase consideration was to be payable by GMCL within two market days of the receipt of such notification from HLIB, which had discretion to determine the number of allocated shares or choose not to allocate any to GMCL.

Pursuant to the Agreement, GMCL was entitled to a fee equivalent to RM303,000 payable by HLIB within one market day after, and subject to, the receipt by HLIB of the underwriting fees under the PCGB Underwriting Agreement.

No share was allocated to GMCL and as a result, GMCL was not obliged to purchase any shares under the Agreement.

Being part of its principal investment business, the Group from time to time invests in global equity markets. The Agreement formed part of the investment activities of the Group and was in the ordinary and usual course of its business.

HLIB is an associate of connected persons (as defined under the Listing Rules) of the Company by virtue of the fact that it is an indirect subsidiary of HLCM, the ultimate holding company of the Company. Mr Quek Leng Chan, the Executive Chairman of the Company, is a deemed controlling shareholder of the Company and HLCM. The proposed transactions under the Agreement constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Others

During the year, the Group regularly conducts investment, insurance, stockbroking, nominee, custodian, share registration, lease of premises, management and administrative services as well as other activities in the ordinary course of business and on normal commercial terms with subsidiaries of, and companies related to, HLCM.

As Mr Quek Leng Chan and his associate own 5% or more of the issued shares of HLCM, he is deemed materially interested in the aforesaid transactions pursuant to the Bye-Laws of the Company.

Apart from the above, no contract of significance, to which the Company or any of its holdings companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors of HLCM, the ultimate holding company of the Company, which is a conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investment as well as hospitality and leisure.

The above directors are considered as having interests in business apart from the Group's business, which is likely to compete, directly or indirectly, with the Group's business under Rule 8.10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company maintained sufficient public float at all times during the year.

AUDITORS

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Kwek Leng Hai
President, CEO

Hong Kong, 30 August 2011

Independent **Auditor's Report**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Guoco Group Limited (the "Company") set out on pages 65 to 167, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2011

Consolidated **Income Statement**

For the year ended 30 June 2011

	Note	2011 US$'000	2010 US$'000	2011 HK$'000 (Note 1(c))	2010 HK$'000 (Note 1(c))
Turnover	5	**4,822,133**	2,260,789	**37,528,009**	17,598,886
Revenue	5	**984,537**	761,105	**7,662,110**	5,924,746
Cost of sales		**(467,604)**	(384,151)	**(3,639,105)**	(2,990,385)
Other attributable costs		**(23,082)**	(19,706)	**(179,635)**	(153,399)
		493,851	357,248	**3,843,370**	2,780,962
Other revenue	6(a)	**72,691**	51,921	**565,714**	404,174
Other net income	6(b)	**107,731**	219,818	**838,411**	1,711,151
Administrative and other operating expenses		**(292,918)**	(236,103)	**(2,279,620)**	(1,837,920)
Profit from operations before finance cost		**381,355**	392,884	**2,967,875**	3,058,367
Finance cost	7(a)	**(69,599)**	(60,507)	**(541,651)**	(471,011)
Profit from operations	14	**311,756**	332,377	**2,426,224**	2,587,356
Valuation surplus on investment properties		**57,427**	4,555	**446,923**	35,458
Profit on disposal of an associate		**41,727**	–	**324,738**	–
Share of profits of associates	7(c)	**216,695**	81,050	**1,686,418**	630,926
Share of profits less losses of jointly controlled entities	7(c)	**7,485**	1,998	**58,252**	15,553
Profit for the year before taxation	7	**635,090**	419,980	**4,942,555**	3,269,293
Tax expenses	8(a)	**(43,881)**	(17,202)	**(341,502)**	(133,907)
Profit for the year		**591,209**	402,778	**4,601,053**	3,135,386
Attributable to:					
Shareholders of the Company	11	**534,459**	363,626	**4,159,400**	2,830,611
Non-controlling interests		**56,750**	39,152	**441,653**	304,775
Profit for the year		**591,209**	402,778	**4,601,053**	3,135,386
Appropriations:					
Final dividend paid in respect of prior year		**(83,861)**	(62,908)	**(652,644)**	(489,701)
Interim dividend paid in respect of current year		**(41,659)**	(33,509)	**(324,209)**	(260,847)
	12	**(125,520)**	(96,417)	**(976,853)**	(750,548)
Earnings per share		**US$**	US$	**HK$**	HK$
Basic	13	**1.64**	1.12	**12.80**	8.71
Diluted	13	**1.64**	1.12	**12.80**	8.71
		US$'000	US$'000	**HK$'000**	HK$'000
Proposed final dividend	12	**93,019**	84,541	**723,913**	658,103

The notes on pages 74 to 167 form part of these financial statements.

Consolidated Statement of **Comprehensive Income**

For the year ended 30 June 2011

	2011 US$'000	2010 US$'000	**2011 HK$'000 (Note 1(c))**	2010 HK$'000 (Note 1(c))
Profit for the year	**591,209**	402,778	**4,601,053**	3,135,386
Other comprehensive income for the year (after tax and reclassification adjustments)				
Exchange differences on translation of financial statements of foreign subsidiaries, associates and jointly controlled entities	**201,327**	(39,388)	**1,566,817**	(306,612)
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	**(22,210)**	6,846	**(172,848)**	53,292
Changes in fair value of available-for-sale financial assets	**171,139**	102,555	**1,331,881**	798,329
Transfer to profit or loss on derecognition/disposal of available-for-sale financial assets	**129**	51,206	**1,004**	398,608
Release of valuation reserve upon disposal of properties	**–**	(145)	**–**	(1,129)
Actuarial losses on defined benefit obligation	**(8,899)**	–	**(69,256)**	–
Share of other comprehensive income of associates	**69,178**	575	**538,374**	4,476
Other comprehensive income for the year, net of tax	**410,664**	121,649	**3,195,972**	946,964
Total comprehensive income for the year	**1,001,873**	524,427	**7,797,025**	4,082,350
Total comprehensive income for the year attributable to:				
Shareholders of the Company	**884,235**	495,804	**6,881,513**	3,859,536
Non-controlling interests	**117,638**	28,623	**915,512**	222,814
	1,001,873	524,427	**7,797,025**	4,082,350

The notes on pages 74 to 167 form part of these financial statements.

Consolidated Statement of **Financial Position**

As at 30 June 2011

	Note	**2011 US$'000**	2010 US$'000	**2011 HK$'000 (Note 1(c))**	2010 HK$'000 (Note 1(c))
NON-CURRENT ASSETS					
Fixed assets					
– Investment properties	15	**1,386,440**	336,135	**10,789,900**	2,616,609
– Other property, plant and equipment	15	**1,833,806**	1,277,945	**14,271,504**	9,948,035
Interest in associates	18	**627,864**	679,864	**4,886,320**	5,292,333
Interest in jointly controlled entities	19	**120,584**	107,405	**938,439**	836,083
Available-for-sale financial assets	22	**1,436,338**	766,353	**11,178,229**	5,965,598
Deferred tax assets	34	**14,469**	149	**112,604**	1,160
Intangible assets	16	**1,030,765**	162,728	**8,021,877**	1,266,740
Goodwill	23	**68,713**	34,045	**534,755**	265,020
		6,518,979	3,364,624	**50,733,628**	26,191,578
CURRENT ASSETS					
Development properties	24	**3,529,862**	2,748,214	**27,470,975**	21,393,197
Properties held for sale	25	**239,615**	183,613	**1,864,792**	1,429,317
Trade and other receivables	26	**548,658**	293,102	**4,269,903**	2,281,623
Trading financial assets	27	**2,174,448**	2,329,733	**16,922,533**	18,135,574
Cash and short term funds	28	**2,003,408**	823,720	**15,591,423**	6,412,166
		8,495,991	6,378,382	**66,119,626**	49,651,877
CURRENT LIABILITIES					
Trade and other payables	29	**728,599**	737,654	**5,670,285**	5,742,194
Current portion of bank loans and other borrowings	30	**3,902,353**	952,469	**30,369,867**	7,414,400
Taxation	8(d)	**185,101**	41,009	**1,440,539**	319,230
Provisions and other liabilities	33	**16,544**	1,256	**128,753**	9,777
		4,832,597	1,732,388	**37,609,444**	13,485,601
NET CURRENT ASSETS		**3,663,394**	4,645,994	**28,510,182**	36,166,276
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,182,373**	8,010,618	**79,243,810**	62,357,854

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 US$'000	2010 US$'000	2011 HK$'000 (Note 1(c))	2010 HK$'000 (Note 1(c))
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings	31	**2,190,160**	1,394,921	**17,044,811**	10,858,623
Amount due to non-controlling interests		**77,454**	–	**602,782**	–
Provisions and other liabilities	33	**85,509**	6,858	**665,470**	53,385
Deferred tax liabilities	34	**89,401**	81,540	**695,759**	634,740
		2,442,524	1,483,319	**19,008,822**	11,546,748
NET ASSETS		**7,739,849**	6,527,299	**60,234,988**	50,811,106
CAPITAL AND RESERVES					
Share capital	35(c)	**164,526**	164,526	**1,280,415**	1,280,736
Reserves		**6,132,653**	5,404,661	**47,727,066**	42,072,043
Equity attributable to shareholders of the Company		**6,297,179**	5,569,187	**49,007,481**	43,352,779
Non-controlling interests		**1,442,670**	958,112	**11,227,507**	7,458,327
TOTAL EQUITY		**7,739,849**	6,527,299	**60,234,988**	50,811,106

Approved and authorised for issue by the Board of Directors on 30 August 2011

Kwek Leng Hai
Ding Wai Chuen
Directors

The notes on pages 74 to 167 form part of these financial statements.

Statement of **Financial Position**

As at 30 June 2011

	Note	2011 US$'000	2010 US$'000	2011 HK$'000 (Note 1(c))	2010 HK$'000 (Note 1(c))
NON-CURRENT ASSETS					
Interest in subsidiaries	17	**3,134,426**	3,673,152	**24,393,514**	28,593,284
Held-to-maturity financial assets	21	**185,446**	173,026	**1,443,224**	1,346,904
Available-for-sale financial assets	22	**203**	203	**1,580**	1,580
		3,320,075	3,846,381	**25,838,318**	29,941,768
CURRENT ASSETS					
Trade and other receivables	26	**1,484**	1,837	**11,549**	14,300
Cash and short term funds	28	**744,731**	244,184	**5,795,832**	1,900,826
		746,215	246,021	**5,807,381**	1,915,126
CURRENT LIABILITIES					
Amounts due to subsidiaries	17	**170,979**	236,330	**1,330,636**	1,839,687
Trade and other payables	29	**3,212**	2,632	**24,997**	20,489
		174,191	238,962	**1,355,633**	1,860,176
NET CURRENT ASSETS		**572,024**	7,059	**4,451,748**	54,950
NET ASSETS		**3,892,099**	3,853,440	**30,290,066**	29,996,718
CAPITAL AND RESERVES					
Share capital	35	**164,526**	164,526	**1,280,415**	1,280,736
Reserves	35	**3,727,573**	3,688,914	**29,009,651**	28,715,982
TOTAL EQUITY		**3,892,099**	3,853,440	**30,290,066**	29,996,718

Approved and authorised for issue by the Board of Directors on 30 August 2011

Kwek Leng Hai
Ding Wai Chuen
Directors

The notes on pages 74 to 167 form part of these financial statements.

Consolidated Statement of **Changes in Equity**

For the year ended 30 June 2011

	Attributable to the Shareholders of the Company												
	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$'000	Fair value reserve US$'000	Revaluation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 July 2010	164,526	10,493	(30,612)	2,544	(40,923)	6,326	110,244	184,057	8,653	5,153,879	5,569,187	958,112	6,527,299
Profit for the year	-	-	-	-	-	-	-	-	-	534,459	534,459	56,750	591,209
Exchange differences on translation of financial statements of foreign subsidiaries, associates and jointly controlled entities	-	-	(9,856)	-	(10)	843	105,259	3	526	-	96,765	104,562	201,327
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	-	-	-	-	-	-	18,565	-	-	-	18,565	(40,775)	(22,210)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	171,082	-	-	171,082	57	171,139
Transfer to profit or loss on disposal of available-for-sale financial assets	-	-	-	-	-	-	-	85	-	-	85	44	129
Actuarial losses on defined benefit obligation	-	-	-	-	-	-	-	-	-	(5,899)	(5,899)	(3,000)	(8,899)
Share of other comprehensive income of associates	-	-	1,234	-	-	-	(2,788)	5,967	-	64,765	69,178	-	69,178
Total comprehensive income for the year	-	-	(8,622)	-	(10)	843	121,036	177,137	526	593,325	884,235	117,638	1,001,873
Transfer between reserves	-	-	4,159	-	-	-	-	-	-	(4,159)	-	-	-
Equity settled share-based transactions	-	-	-	-	-	1,521	-	-	-	-	1,521	790	2,311
Purchase of own shares for share option schemes by a subsidiary	-	-	(478)	-	-	-	-	-	-	-	(478)	(163)	(641)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	397,284	397,284
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	(6,009)	(6,009)	(173,329)	(179,338)
Subscription of shares under rights issue by the trust for ESOP by a subsidiary	-	-	(26,957)	-	-	-	-	-	-	-	(26,957)	150,649	123,692
Partial disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	1,472	1,472	15,470	16,942
Rights issue expenses of a subsidiary	-	-	(272)	-	-	-	-	-	-	-	(272)	(145)	(417)
Preference shares buy back by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,154)	(1,154)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(22,482)	(22,482)
Final dividend paid in respect of the prior year	-	-	-	-	-	-	-	-	-	(83,861)	(83,861)	-	(83,861)
Interim dividend paid in respect of the current year	-	-	-	-	-	-	-	-	-	(41,659)	(41,659)	-	(41,659)
At 30 June 2011	164,526	10,493	(62,782)	2,544	(40,933)	8,690	231,280	361,194	9,179	5,612,988	6,297,179	1,442,670	7,739,849

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Attributable to the Shareholders of the Company												
	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$'000	Fair value reserve US$'000	Revaluation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 July 2009	164,526	10,493	(26,685)	2,704	(41,104)	4,609	128,845	31,693	8,669	4,837,737	5,121,487	1,042,267	6,163,754
Profit for the year	–	–	–	–	–	–	–	–	–	363,626	363,626	39,152	402,778
Exchange differences on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	–	–	(2,272)	–	181	154	(35,617)	(164)	129	–	(37,589)	(1,799)	(39,388)
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	–	–	–	–	–	–	16,809	–	–	–	16,809	(9,963)	6,846
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	101,322	–	–	101,322	1,233	102,555
Transfer to profit or loss on derecognition/disposal of available-for-sale financial assets	–	–	–	–	–	–	–	51,206	–	–	51,206	–	51,206
Release of valuation reserve upon disposal of properties	–	–	–	–	–	–	–	–	(145)	–	(145)	–	(145)
Share of other comprehensive income of associates	–	–	269	–	–	–	–	–	–	306	575	–	575
Total comprehensive income for the year	–	–	(2,003)	–	181	154	(18,808)	152,364	(16)	363,932	495,804	28,623	524,427
Transfer between reserves	–	–	3,858	–	–	–	–	–	–	(3,858)	–	–	–
Equity settled share-based transactions	–	–	–	–	–	1,563	–	–	–	–	1,563	833	2,396
Transfer of shares to employees upon exercise of share options by a subsidiary	–	–	9,197	–	–	–	–	–	–	–	9,197	(958)	8,239
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	38,929	38,929	(96,754)	(57,825)
Release of reserves upon liquidation of subsidiaries	–	–	(1,423)	(160)	–	–	207	–	–	–	(1,376)	–	(1,376)
Redemption of convertible bonds of a subsidiary	–	–	(13,556)	–	–	–	–	–	–	13,556	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(15,899)	(15,899)
Final dividend paid in respect of the prior year	–	–	–	–	–	–	–	–	–	(62,908)	(62,908)	–	(62,908)
Interim dividend paid in respect of the current year	–	–	–	–	–	–	–	–	–	(33,509)	(33,509)	–	(33,509)
At 30 June 2010	164,526	10,493	(30,612)	2,544	(40,923)	6,326	110,244	184,057	8,653	5,153,879	5,569,187	958,112	6,527,299

The notes on pages 74 to 167 form part of these financial statements.

Consolidated Statement of **Cash Flows**

For the year ended 30 June 2011

	Note	**2011 US$'000**	2010 US$'000
Operating activities			
Profit for the year before taxation		**635,090**	419,980
Adjustments for:			
– Finance cost		**69,599**	60,507
– Interest income		**(28,169)**	(34,279)
– Dividend income		**(77,266)**	(32,056)
– Depreciation		**33,326**	28,047
– Amortisation of Bass Strait oil and gas royalty		**4,292**	6,704
– Amortisation of casino licences and brand name		**751**	–
– Equity settled share-based payment expenses		**2,182**	2,384
– Valuation surplus on investment properties		**(57,427)**	(4,555)
– Write-back of impairment loss on properties		**(1,403)**	(3,012)
– Share of profits of associates		**(216,695)**	(81,050)
– Share of profits less losses of jointly controlled entities		**(7,485)**	(1,998)
– Net gains on disposal of fixed assets		**(170)**	(50)
– Profit on disposal of an associate		**(41,727)**	–
– Net gains on liquidation of subsidiaries		**–**	(5,506)
– Gain on disposal of jointly controlled entities		**–**	(6,731)
– Gain on derecognition of an associate/available-for-sale financial assets		**(2,126)**	(36,056)
Operating profit before changes in working capital		**312,772**	312,329
Increase in trade and other receivables		**(182,115)**	(36,299)
Decrease/(increase) in trading financial assets		**155,836**	(1,971,403)
Increase in available-for-sale financial assets		**(498,424)**	(355,719)
(Increase)/decrease in development properties		**(558,166)**	271,875
(Increase)/decrease in properties held for sale		**(30,680)**	85,755
Decrease in provisions and other liabilities		**(7,455)**	(3,988)
(Decrease)/increase in trade and other payables		**(421,831)**	22,668
Cash used in operations		**(1,230,063)**	(1,674,782)
Interest received		**28,730**	33,158
Dividend received from equity investment		**74,345**	32,530
Tax paid			
– Hong Kong Profits Tax paid		**(2,173)**	(351)
– Overseas tax paid		**(56,865)**	(19,507)
– Overseas tax refund		**1,656**	–
Net cash used in operating activities		**(1,184,370)**	(1,628,952)

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 US$'000	2010 US$'000
Investing activities			
Acquisition of subsidiaries	36 (b)	**107,919**	–
Net repayment from associates		**711**	191
Net repayment from/(advance to) jointly controlled entities		**2,157**	(1,328)
Purchase of fixed assets		**(188,416)**	(18,340)
Additions in investment properties under development		**(885,453)**	(737)
Purchase of additional interests in associates		**(114,085)**	(1,361)
Purchase of intangible assets		**(1,105)**	(7,505)
Proceeds from disposal of an associate		**88,969**	–
Proceeds from disposal of a jointly controlled entity		**–**	10,427
Proceeds from disposal of fixed assets		**1,330**	1,432
Dividends received from associates		**36,878**	22,603
Net cash (used in)/generated from investing activities		**(951,095)**	5,382
Financing activities			
Net proceeds from rights issue of a subsidiary		**150,232**	–
Subscription of shares under rights issue by the trust for ESOP by a subsidiary		**(27,598)**	–
Consideration received from employees upon exercise of share options		**–**	8,239
Proceeds from partial disposal of subsidiaries		**94,449**	–
Purchase of additional shareholdings in subsidiaries		**(9,207)**	(55,974)
Proceeds from bank loans and other borrowings		**3,002,445**	33,890
Buy-back of mortgage debenture by a subsidiary		**(6,408)**	(3,805)
Buy-back of preference shares by subsidiaries		**(1,154)**	–
Repurchase of convertible bonds by a subsidiary		**–**	(245,987)
Interest paid		**(113,576)**	(96,638)
Dividends paid to non-controlling interests		**(22,482)**	(15,899)
Dividends paid to equity shareholders		**(125,520)**	(96,417)
Net cash generated from/(used in) financing activities		**2,941,181**	(472,591)
Net increase/(decrease) in cash and cash equivalents		**805,716**	(2,096,161)
Cash and cash equivalents at 1 July	28	**823,720**	2,944,242
Effect of foreign exchange rates		**81,352**	(24,361)
Cash and cash equivalents at 30 June	28	**1,710,788**	823,720

The notes on pages 74 to 167 form part of these financial statements.

Notes to **the Financial Statements**

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost modified by the revaluation of investment properties and the marking to market of certain financial instruments as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Hong Kong dollar amounts

The Hong Kong dollar figures shown in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and statement of financial position are for information only. The Company's functional currency is United States dollars. The Hong Kong dollar figures are translated from United States dollars at the rates ruling at the respective financial year ends.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Interest income*

– Interest income is recognised as it accrues using the effective interest method.

(ii) *Dividends*

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Revenue arising from pre-sale of properties is recognised in the financial statements upon completion of the development of the property. Provision for foreseeable loss is made in the year in which such loss is determined.

(iv) Revenue arising from the disposal of other properties is recognised when substantially all the conditions of sales have been met and the risks and rewards of ownership have been transferred to the buyers.

(v) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(vi) Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(vii) Commission and brokerage income in respect of trading securities is recognised on a trade date basis when the relevant transactions are executed.

(viii) Casino revenue represents the gaming win before deduction of gaming duty.

(b) Investments

(i) *Investments in debt and equity securities*

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments (cont'd)

(i) Investments in debt and equity securities (cont'd)

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest or dividends earned on these investments as these are recognised in accordance with the policies set out in notes 2(a)(i) and 2(a)(ii).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses (see note 2(k)(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(a)(ii), and where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(a)(i). When these investments are derecognised or impaired (see note 2(k)(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)(i)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments (cont'd)

(ii) Subsidiaries and non-controlling interests

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l), (m), (o), (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(b)(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(b)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments (cont'd)

(iii) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(d) and 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(b)(i)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(b)(iii)).

In the Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(k)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Derivative financial instruments and hedging activities

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(k)(i)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Intangible assets

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Fixed assets and depreciation

(i) Properties are stated at cost less accumulated depreciation and impairment loss (see note 2(k)(ii)). Depreciation is calculated to write off the cost of the assets less their estimated residual value using the straight-line method over their estimated useful lives as follows:

- Freehold land is not depreciated.

- Building situated on freehold land are depreciated over their remaining useful economic lives (up to 100 years).

- Land held under operating leases and buildings thereon are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

(ii) Furniture, fixtures and equipment are stated at cost less accumulated depreciation and impairment loss (see note 2(k)(ii)). Depreciation is calculated on a straight-line basis to write off the cost of the assets over their estimated useful lives, taken as being between 3 to 15 years.

(iii) Both the useful life of an asset and its residual value, if any, are reviewed annually.

(iv) Gain or loss arising from the retirement or disposal of an item of fixed assets is determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(a)(v).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Leased assets (cont'd)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or is held for sale (see note 2(i)).

(i) Properties held for sale

Properties held for sale are included in the statement of financial position at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

(j) Development properties

Development properties are stated at the lower of cost and estimated net realisable value, net of progress billings. Land, related acquisition expenses, development expenditure, interest and other related expenditure are capitalised as part of the cost of development properties.

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(i) Impairment of investments in debt and equity securities and other receivables (cont'd)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and jointly controlled entities recognised using the equity method (see note 2(b)(iii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale financial assets, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(i) Impairment of investments in debt and equity securities and other receivables (cont'd)

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(ii) Impairment of other assets (cont'd)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(l) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of bad and doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts (see note 2(k)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(v)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, i.e. having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Income tax (cont'd)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into United States dollars at the average exchange rates for the year. Items presented in the statement of financial position are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in profit or loss as incurred.

The Group also contributed to retirement schemes of its overseas subsidiaries in accordance with their respective requirements and the contributions thereto are charged to profit or loss for the year.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future pension benefits to existing pensioners; those benefits are discounted to determine the present value and the fair value of any plan assets is deducted. The calculations are performed by a qualified actuary using the projected unit credit method. The amount of the excess of the present value of each fund's liabilities over the fair value of that fund's assets is recognised in profit or loss upon notification to the Group. The discount rate is the yield at the end of the reporting date on AAA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Group has revised its accounting policy to remove the "corridor option" as permitted under HKAS 19 Employee Benefits and recognised all actuarial gains or losses in the period in which those changes occur in the other comprehensive income. Previously, actuarial gains and losses were accumulated in the statement of financial position. Any gains or losses greater than 10% of a scheme's assets or liabilities were written off to profit or loss over the average remaining service lives of the scheme's employees.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Employee benefits (cont'd)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in reserves until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Financial guarantees issued, provisions and contingent liabilities (cont'd)

(i) Financial guarantees issued (cont'd)

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(v)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed as part of a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(v)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The key assumptions concerning the future and the accounting estimates that have a significant effect on the carrying value of assets and liabilities in the statement of financial position and the profit or loss items are discussed below:

(a) Investment properties (Note 15)

At 30 June 2011 and 2010, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted. Management has exercised its judgement and is satisfied with the method of valuation.

(b) Impairment of assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations. There are a number of assumptions and estimates involved in the calculations.

(c) Income taxes (Notes 8 & 34)

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on its estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Equity settled share-based transactions (Note 38)

The Black-Scholes option pricing model was applied to estimate the fair value of share options granted by the Company and certain of its subsidiaries. This pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in input assumptions can materially affect the fair value estimate.

(e) Defined benefit retirement plan obligations (Note 37)

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future pension benefits to existing pensioners. Those benefits are discounted to determine the present value and the fair value of any plan assets is deducted. The calculations are performed by a qualified actuary using the projected unit credit method. The amount of the excess of the present value of each plan's liabilities over the fair value of that plan's assets is recognised in profit or loss upon notification to the Group.

Notes to the Financial Statements

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(e) Defined benefit retirement plan obligations (Note 37) (cont'd)

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(f) Intangible assets – casino licence and brand name (Note 16)

The valuation of the casino licences and brand name from the Group's acquisition of The Rank Group Plc ("Rank") is based on a value-in-use model from future income expected to be received from Rank's operations. There are a number of assumptions and estimates involved in the calculations.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain revised HKFRSs, amendments to HKFRSs and interpretations that are first effective for the current accounting period of the Group and the Company. The adoption of the revised standards, amendments and interpretations had no material impact on the Group's results and financial positions.

The Group has not applied any new/revised standard or interpretation that is not yet effective for the current accounting period (see note 45).

5. TURNOVER AND REVENUE

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

An analysis of the amount of each significant category of turnover and revenue from principal activities during the year is as follows:

	The Group	
	2011 US$'000	2010 US$'000
Revenue from sale of properties	**353,338**	334,412
Revenue from hotel and gaming operations	**496,325**	332,318
Interest income		
– from listed securities	**2,001**	1,730
– others	**26,168**	32,549
Dividend income from listed securities	**77,266**	32,056
Rental income from properties	**19,330**	18,512
Securities commission and brokerage	**6,489**	7,022
Others	**3,620**	2,506
Revenue	**984,537**	761,105
Proceeds from sale of investments in securities	**3,837,596**	1,499,684
Turnover	**4,822,133**	2,260,789

In addition to turnover, revenue is used in presenting segmental information in note 14.

6. OTHER REVENUE AND NET INCOME

(a) Other revenue

	The Group	
	2011	2010
	US$'000	US$'000
Sublease income	**8,181**	7,433
Bass Strait oil and gas royalty	**44,399**	38,623
Hotel management fee	**4,254**	3,467
Others	**15,857**	2,398
	72,691	51,921

(b) Other net income

	The Group	
	2011	2010
	US$'000	US$'000
Net realised and unrealised gains on trading financial assets	**60,236**	80,166
Net realised and unrealised (losses)/gains on derivative financial instruments	**(3,330)**	10,117
Net realised gains/(losses) on disposal of available-for-sale financial assets	**1,552**	(56)
Gain on derecognition of an associate/available-for-sale financial assets (note 18(a))	**2,126**	36,056
Net (losses)/gains on foreign exchange contracts	**(126)**	3,599
Other exchange gains	**46,363**	73,939
Net gains on disposal of fixed assets	**170**	50
Net gains on liquidation of subsidiaries	**–**	5,506
Gain on disposal of jointly controlled entities	**–**	6,731
Other income	**740**	3,710
	107,731	219,818

Notes to the Financial Statements

7. PROFIT FOR THE YEAR BEFORE TAXATION

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

(a) Finance cost

	The Group	
	2011	2010
	US$'000	US$'000
Interest on bank advances and other borrowings wholly repayable within five years	**87,546**	63,906
Other borrowing costs	**38,611**	38,294
Total borrowing costs	**126,157**	102,200
Less: borrowing costs capitalised into development properties (Note)	**(56,558)**	(41,693)
	69,599	60,507

Note: The borrowing costs have been capitalised at rates of 0.66% to 6.36% per annum (2010: 0.67% to 6.34%).

(b) Staff cost

	The Group	
	2011	2010
	US$'000	US$'000
Contributions to defined contribution retirement plan	**3,314**	1,781
Expenses recognised in respect of defined benefit retirement plans	**–**	1,322
Total retirement costs	**3,314**	3,103
Equity settled share-based payment expenses	**2,182**	2,384
Salaries, wages and other benefits	**164,710**	128,959
	170,206	134,446

7. PROFIT FOR THE YEAR BEFORE TAXATION (cont'd)

(c) Other items

	The Group	
	2011	2010
	US$'000	US$'000
Depreciation	**33,326**	28,047
Write-back of impairment loss on properties	**(1,403)**	(3,012)
Amortisation		
– Bass Strait oil and gas royalty	**4,292**	6,704
– casino licences and brand name	**751**	–
Operating lease charges		
– properties	**8,874**	3,858
– others	**3,736**	1,982
Auditors' remuneration		
– audit services	**1,711**	1,477
– tax services	**19**	–
– other services	**1,071**	53
Donations	**317**	350
Gross rental income from investment properties	**(19,330)**	(18,512)
Less: direct outgoings	**4,151**	4,123
Net rental income	**(15,179)**	(14,389)
Share of (profits)/losses of associates:		
– listed	**(212,087)**	(81,493)
– unlisted	**(4,608)**	443
	(216,695)	(81,050)
Share of profits less losses of jointly controlled entities:		
– unlisted	**(7,485)**	(1,998)

Notes to the Financial Statements

8. TAXATION

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

	The Group	
	2011	2010
	US$'000	US$'000
Current tax – Hong Kong Profits Tax		
Tax for the year	**(2,908)**	(2,914)
Over-provision in respect of prior years	**171**	15
	(2,737)	(2,899)
Current tax – Overseas		
Tax for the year	**(39,261)**	(36,180)
Over-provision in respect of prior years	**4,091**	6,550
	(35,170)	(29,630)
Deferred tax		
Origination and reversal of temporary differences	**(2,904)**	15,327
Utilisation of deferred tax asset in relation to tax losses	**(2,988)**	–
Effect of changes in tax rate on deferred tax balances	**(82)**	–
	(5,974)	15,327
	(43,881)	(17,202)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year ended 30 June 2011. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

8. TAXATION (cont'd)

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	The Group			
	2011		2010	
	US$'000	**%**	US$'000	%
Profit before tax	**635,090**		419,980	
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**(102,047)**	**(16.1)**	(81,381)	(19.4)
Tax effect of non-deductible expenses	**(78,863)**	**(12.4)**	(49,899)	(11.9)
Tax effect of non-taxable revenue	**121,144**	**19.1**	85,753	20.4
Tax effect of unused tax losses not recognised	**(9,081)**	**(1.4)**	(5,406)	(1.3)
Tax effect of utilisation of tax losses not previously recognised	**21,773**	**3.4**	33,850	8.1
Reversal of temporary differences not accounted for in previous years	**–**	**–**	(2,328)	(0.6)
Tax effect of changes in tax rate on deferred tax balances	**(82)**	**–**	–	–
Over-provision in respect of prior years	**4,262**	**0.7**	6,565	1.6
Others	**(987)**	**(0.2)**	(4,356)	(1.0)
Actual tax expenses	**(43,881)**	**(6.9)**	(17,202)	(4.1)

(c) Tax effects relating to the components of other comprehensive income:

The net tax effects relating to the components of other comprehensive income were insignificant for disclosure purposes for the years 2011 and 2010.

(d) Taxation in the statement of financial position represents:

	The Group	
	2011	2010
	US$'000	US$'000
Hong Kong Profits Tax	**3,468**	2,906
Overseas taxation	**181,633**	38,103
Taxation payable	**185,101**	41,009
Amount of taxation payable expected to be settled after more than 1 year	**85,173**	690

Notes to the Financial Statements

9. DIRECTORS' REMUNERATION

Directors' emoluments comprises payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid and payable to each Director of the Company for the year ended 30 June 2011 are as below:

	The Group				
Name	**Fees US$'000**	**Salaries, allowances and benefits in kind US$'000**	**Discretionary bonuses US$'000**	**Pension contributions US$'000**	**2011 Total emoluments US$'000**
Quek Leng Chan	**110**(1)	**–**	**–**	**–**	**110**
Kwek Leng Hai	**108**(1)	**950**	**2,386**	**78**	**3,522**
Sat Pal Khattar **	**145**	**–**	**–**	**–**	**145**
Kwek Leng San *	**31**(1)	**–**	**–**	**–**	**31**
Tan Lim Heng	**–**	**409**	**–**	**1**	**410**
Volker Stoeckel **	**42**	**–**	**–**	**–**	**42**
Ding Wai Chuen	**–**	**404**	**–**	**16**	**420**
Roderic N. A. Sage **	**42**	**–**	**–**	**–**	**42**
	478	**1,763**	**2,386**	**95**	**4,722**

	The Group				
Name	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Pension contributions US$'000	2010 Total emoluments US$'000
Quek Leng Chan	93(1)	197	–	–	290
Kwek Leng Hai	92(1)	754	546	60	1,452
Sat Pal Khattar **	134	–	–	–	134
Kwek Leng San *	28(1)	–	–	–	28
Tan Lim Heng	–	404	41	1	446
James Eng, Jr. (2)	–	277	27	–	304
Volker Stoeckel **	40	–	–	–	40
Ding Wai Chuen (3)	7	318	103	13	441
Roderic N. A. Sage **(4)	30	–	–	–	30
	424	1,950	717	74	3,165

Notes:

* Non-executive director

** Independent non-executive director

(1) These fees have been assigned in favour of the company where the director is employed or its related corporations

(2) Resigned with effective from 27 November 2009

(3) Redesignated as executive director from independent non-executive director with effective from 1 September 2009

(4) Appointed with effective from 2 October 2009

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, one (2010: one) is a director whose remuneration is disclosed in note 9. The remuneration of the other four (2010: four) individuals is as follows:

	The Group	
	2011	2010
	US$'000	US$'000
Salaries, allowances and benefits in kind	**2,395**	2,045
Discretionary bonuses	**448**	213
Share-based payments	**1,138**	1,330
Pension contributions	**103**	60
	4,084	3,648

The number of individuals whose remuneration falls within the following bands is:

	The Group	
	2011	2010
US$	**Number of individuals**	Number of individuals
550,001 – 600,000	**–**	1
650,001 – 700,000	**–**	1
700,001 – 750,000	**1**	–
850,001 – 900,000	**–**	1
900,001 – 950,000	**1**	–
950,001 – 1,000,000	**1**	–
1,450,001 – 1,500,000	**–**	1
1,500,001 – 1,550,000	**1**	–
	4	4

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of US$165,733,000 (2010: US$264,905,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

12. DIVIDENDS

	The Group		The Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Year 2009/2010:				
Final dividend paid of HK$2.00 per ordinary share (Year 2008/2009: HK$1.50 per ordinary share)	**83,861**	62,908	**84,899**	63,687
Year 2010/2011:				
Interim dividend paid of HK$1.00 per ordinary share (Year 2009/2010: HK$0.80 per ordinary share)	**41,659**	33,509	**42,175**	33,924
	125,520	96,417	**127,074**	97,611
Year 2010/2011:				
Proposed final dividend of HK$2.20 per ordinary share (Year 2009/2010: HK$2.00 per ordinary share)	**93,019**	84,541	**93,019**	84,541

The final dividend proposed for the year ended 30 June 2011 of US$93,019,000 (2010: US$84,541,000) is calculated based on 329,051,373 ordinary shares (2010: 329,051,373 ordinary shares) in issue as at 30 June 2011.

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

13. 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$534,459,000 (2010: US$363,626,000) and the weighted average number of 325,024,511 ordinary shares (2010: 325,024,511 ordinary shares) in issue during the year.

(b) Diluted earnings per share

For the year ended 30 June 2011, the calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of US$534,380,000 and the weighted average number of 325,024,511 ordinary shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

For the year ended 30 June 2010, the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic earnings per share.

14. SEGMENT REPORTING

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

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

The accounting policies of the operating segments are the same as those described in the significant accounting policies in note 2. Performance is evaluated on the basis of profit or loss from operations before taxation. Inter-segment pricing is determined on an arm's length basis. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from Year 2009/10.

Notes to the Financial Statements

14. SEGMENT REPORTING (cont'd)

Information regarding the Group's reportable segments for the purposes of resource allocation and assessment of segment performance for the year is set out below.

(a) Reportable segment revenue and profit or loss, assets and liabilities

Segment revenue and profit or loss

	Principal investment US$'000	Property development and investment US$'000	Hospitality and leisure business US$'000	Securities, commodities and brokerage US$'000	Oil and gas US$'000	Financial services US$'000	Total US$'000
For the year ended 30 June 2011							
Turnover	**3,928,531**	**379,441**	**505,544**	**8,617**	**–**	**–**	**4,822,133**
Revenue from external customers	**90,935**	**379,441**	**505,544**	**8,617**	**–**	**–**	**984,537**
Inter-segment revenue	**3,070**	**1,019**	**–**	**698**	**–**	**–**	**4,787**
Reportable segment revenue	**94,005**	**380,460**	**505,544**	**9,315**	**–**	**–**	**989,324**
Operating profit	**171,929**	**79,785**	**90,992**	**1,977**	**39,485**	**–**	**384,168**
Finance cost	**(5,055)**	**(26,764)**	**(40,057)**	**(144)**	**(392)**	**–**	**(72,412)**
Valuation surplus on investment properties	**–**	**57,427**	**–**	**–**	**–**	**–**	**57,427**
Profit on disposal of an associate	**41,727**	**–**	**–**	**–**	**–**	**–**	**41,727**
Share of profits of associates	**748**	**6,865**	**63,963**	**–**	**–**	**145,119**	**216,695**
Share of profits less losses of jointly controlled entities	**–**	**7,485**	**–**	**–**	**–**	**–**	**7,485**
Profit before taxation	**209,349**	**124,798**	**114,898**	**1,833**	**39,093**	**145,119**	**635,090**
For the year ended 30 June 2010							
Turnover	1,553,062	358,625	340,613	8,489	–	–	2,260,789
Revenue from external customers	53,378	358,625	340,613	8,489	–	–	761,105
Inter-segment revenue	2,730	1,004	–	601	–	–	4,335
Reportable segment revenue	56,108	359,629	340,613	9,090	–	–	765,440
Operating profit	219,948	92,363	49,098	1,781	31,867	–	395,057
Finance cost	(394)	(25,794)	(33,363)	(99)	(3,030)	–	(62,680)
Valuation surplus on investment properties	–	4,555	–	–	–	–	4,555
Share of profits of associates	4,773	1,786	16,955	–	–	57,536	81,050
Share of profits of jointly controlled entities	–	1,998	–	–	–	–	1,998
Profit before taxation	224,327	74,908	32,690	1,682	28,837	57,536	419,980

14. SEGMENT REPORTING (cont'd)

(a) Reportable segment revenue and profit or loss, assets and liabilities (cont'd)

Segment assets and liabilities

	Principal investment US$'000	Property development and investment US$'000	Hospitality and leisure business US$'000	Securities, commodities and brokerage US$'000	Oil and gas US$'000	Financial services US$'000	Total US$'000
As at 30 June 2011							
Reportable segment assets	**4,493,459**	**6,400,760**	**3,173,962**	**52,772**	**145,569**	**–**	**14,266,522**
Interest in associates	**–**	**40,871**	**–**	**–**	**–**	**586,993**	**627,864**
Interest in jointly controlled entities	**–**	**120,584**	**–**	**–**	**–**	**–**	**120,584**
Total assets	**4,493,459**	**6,562,215**	**3,173,962**	**52,772**	**145,569**	**586,993**	**15,014,970**
Reportable segment liabilities	**1,341,923**	**4,482,185**	**1,435,632**	**15,274**	**107**	**–**	**7,275,121**
As at 30 June 2010							
Reportable segment assets	3,417,993	4,076,171	1,304,343	39,643	117,587	–	8,955,737
Interest in associates	43,584	37,039	222,425	–	–	376,816	679,864
Interest in jointly controlled entities	–	107,405	–	–	–	–	107,405
Total assets	3,461,577	4,220,615	1,526,768	39,643	117,587	376,816	9,743,006
Reportable segment liabilities	193,982	2,433,281	580,554	7,746	144	–	3,215,707

Other information

	Principal investment US$'000	Property development and investment US$'000	Hospitality and leisure business US$'000	Securities, commodities and brokerage US$'000	Oil and gas US$'000	Financial services US$'000	Total US$'000
2011							
Interest income	**16,303**	**3,508**	**9,219**	**1,952**	**–**	**–**	**30,982**
Depreciation and amortisation	**432**	**1,389**	**32,124**	**132**	**4,292**	**–**	**38,369**
Additions to non-current segment assets	**71**	**2,114**	**186,170**	**61**	**–**	**–**	**188,416**
2010							
Interest income	23,331	3,562	8,295	1,264	–	–	36,452
Depreciation and amortisation	442	1,335	26,079	191	6,704	–	34,751
Additions to non-current segment assets	150	8,525	9,453	212	–	–	18,340

Major customers

During the year 2011 and 2010, there is no major customer accounting for more than 10% of the total revenue of the Group.

Notes to the Financial Statements

14. SEGMENT REPORTING (cont'd)

(b) Reconciliations of reportable segment revenue, finance cost and interest income

Revenue

	The Group	
	2011	2010
	US$'000	US$'000
Reportable segment revenue	**989,324**	765,440
Elimination of inter-segment revenue	**(4,787)**	(4,335)
Consolidated revenue (note 5)	**984,537**	761,105

Finance cost

	The Group	
	2011	2010
	US$'000	US$'000
Reportable finance cost	**(72,412)**	(62,680)
Elimination of inter-segment finance cost	**2,813**	2,173
Consolidated finance cost (note 7(a))	**(69,599)**	(60,507)

Interest income

	The Group	
	2011	2010
	US$'000	US$'000
Reportable interest income	**30,982**	36,452
Elimination of inter-segment interest income	**(2,813)**	(2,173)
Consolidated interest income (note 5)	**28,169**	34,279

14. SEGMENT REPORTING (cont'd)

(c) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers, profit/(loss) from operations, the Group's total assets and non-current assets other than financial instruments and deferred tax assets ("specified non-current assets"). The geographical information is classified by reference to the location of the income generating entities.

	Revenue from external customers		Profit/(loss) from operations	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
The People's Republic of China				
Hong Kong	**100,439**	62,907	**168,073**	217,655
Mainland China	**316,899**	235,416	**(Note) 63,762**	52,987
United Kingdom and Continental Europe	**473,470**	320,219	**50,141**	14,411
Singapore	**39,085**	66,296	**(Note) (2,659)**	20,161
Australasia and others	**54,644**	76,267	**(Note) 32,439**	27,163
	984,537	761,105	**311,756**	332,377

	Segment assets		Specified non-current assets	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
The People's Republic of China				
Hong Kong	**4,525,476**	3,463,132	**51,031**	39,738
Mainland China	**2,708,484**	2,001,050	**148,057**	93,234
United Kingdom and Continental Europe	**2,851,939**	1,472,988	**2,457,139**	1,374,561
Singapore	**3,312,162**	1,506,480	**1,332,741**	275,198
Australasia and others	**1,616,909**	1,299,356	**1,079,204**	815,391
	15,014,970	9,743,006	**5,068,172**	2,598,122

Note: In accordance with applicable Hong Kong Financial Reporting Standards, at Group level we have recognised revenue arising from the pre-sale of properties upon completion of development projects instead of the percentage of completion method adopted by GuocoLand Limited ("GuocoLand") as permitted under the relevant Singapore Accounting Standards. Accordingly, operating profits of GuocoLand for the year amounting to US$74.0 million (2010: US$23.2 million) and US$9.2 million (2010: US$52.9 million) in Singapore and Mainland China and other countries respectively have been deferred for recognition in the Group accounts. The Group has recognised operating profits of GuocoLand which have been deferred in previous years amounting to US$nil (2010: US$nil) and US$55.0 million (2010: US$18.7 million) in Singapore and Mainland China and other countries respectively for those development projects completed during the year. Up to 30 June 2011, accumulated operating profits of GuocoLand totalling US$104.9 million (2010: US$28.3 million) in Singapore and US$11.5 million (2010: US$52.5 million) in Mainland China and other countries have been deferred for recognition, and will be recognised by the Group upon completion of the relevant development projects in subsequent years.

Notes to the Financial Statements

15. FIXED ASSETS

	The Group					
	Investment properties US$'000	Interests in leasehold land and buildings US$'000	Freehold land and buildings US$'000	Furniture, fixtures and equipment US$'000	Other property, plant and equipment US$'000	Total US$'000
Cost or valuation						
At 1 July 2009	280,057	799,517	478,770	415,809	1,694,096	1,974,153
Additions	737	730	344	17,266	18,340	19,077
Transfer from development properties	–	84,971	–	–	84,971	84,971
Transfer	38,941	–	(38,941)	–	(38,941)	–
Disposals and written off	–	(508)	(282)	(2,290)	(3,080)	(3,080)
Surplus on revaluation	4,555	–	–	–	–	4,555
Exchange adjustments	11,845	(69,351)	(34,762)	(38,309)	(142,422)	(130,577)
At 30 June 2010	336,135	815,359	405,129	392,476	1,612,964	1,949,099
Representing:						
Cost	–	815,359	405,129	392,476	1,612,964	1,612,964
Valuation – 2010	336,135	–	–	–	–	336,135
	336,135	815,359	405,129	392,476	1,612,964	1,949,099
At 1 July 2010	336,135	815,359	405,129	392,476	1,612,964	1,949,099
Additions through acquisition of subsidiaries	–	163,668	73,909	670,985	908,562	908,562
Additions	885,453	151,093	8,466	28,857	188,416	1,073,869
Transfer from/(to) development properties	66,374	(15,656)	–	–	(15,656)	50,718
Transfer	3,131	–	(3,131)	–	(3,131)	–
Disposals and written off	–	(790)	(2,837)	(1,141)	(4,768)	(4,768)
Surplus on revaluation	57,427	–	–	–	–	57,427
Exchange adjustments	37,920	47,941	26,050	8,812	82,803	120,723
At 30 June 2011	1,386,440	1,161,615	507,586	1,099,989	2,769,190	4,155,630
Representing:						
Cost	–	1,161,615	507,586	1,099,989	2,769,190	2,769,190
Valuation – 2011	1,386,440	–	–	–	–	1,386,440
	1,386,440	1,161,615	507,586	1,099,989	2,769,190	4,155,630

15. FIXED ASSETS (cont'd)

The Group

	Investment properties US$'000	Interests in leasehold land and buildings US$'000	Freehold land and buildings US$'000	Furniture, fixtures and equipment US$'000	Other property, plant and equipment US$'000	Total US$'000
Accumulated amortisation and depreciation						
At 1 July 2009	–	28,196	7,099	305,014	340,309	340,309
Charge for the year	–	4,944	3,419	19,684	28,047	28,047
Written back on disposals and written off	–	–	(17)	(1,681)	(1,698)	(1,698)
Exchange adjustments	–	(1,492)	(674)	(29,473)	(31,639)	(31,639)
At 30 June 2010	–	31,648	9,827	293,544	335,019	335,019
At 1 July 2010	–	31,648	9,827	293,544	335,019	335,019
Additions through acquisition of subsidiaries	–	99,731	35,378	428,265	563,374	563,374
Charge for the year	–	6,866	1,740	24,720	33,326	33,326
Written back on disposals and written off	–	(790)	(2,035)	(783)	(3,608)	(3,608)
Exchange adjustments	–	(1,264)	(319)	8,856	7,273	7,273
At 30 June 2011	–	136,191	44,591	754,602	935,384	935,384
Net book value						
At 30 June 2011	1,386,440	1,025,424	462,995	345,387	1,833,806	3,220,246
At 30 June 2010	336,135	783,711	395,302	98,932	1,277,945	1,614,080

Notes to the Financial Statements

15. FIXED ASSETS (cont'd)

(a) The analysis of net book value of properties is as follows:

	The Group 2011 US$'000	2010 US$'000
In Hong Kong:		
– Leasehold with between 10 to 50 years unexpired	**50,562**	39,100
Outside Hong Kong:		
– Leasehold with over 50 years unexpired	**1,865,338**	1,025,799
– Leasehold with between 10 to 50 years unexpired	**111,306**	–
– Leasehold with less than 10 years unexpired	**8,246**	–
– Freehold	**839,407**	450,249
	2,874,859	1,515,148

(b) The Group's investment properties are located in Hong Kong, Singapore and Malaysia. The properties in Hong Kong were revalued on an open market basis as at 30 June 2011 by CB Richard Ellis Limited, an independent firm of professional valuers, who are members of the Hong Kong Institute of Surveyors. The properties in Singapore were revalued on an open market basis as at 30 June 2011 by CB Richard Ellis Limited and Savills, independent firms of professional valuers, who are members of the Singapore Institute of Surveyors and Valuers. The properties in Malaysia were revalued on an open market basis as at 30 June 2011 by Burgess Rawson Sdn Bhd, an independent firm of professional valuers which are registered with the Board of Valuers, Appraisers and Estate Agents, Malaysia.

(c) Certain of the Group's properties with a book value of US$1,899.1 million (2010: US$743.6 million) were pledged for bank loans and mortgage debenture stock.

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to five years. The gross carrying amounts of investment properties of the Group held for use in operating leases were US$454.0 million (2010: US$336.1 million).

(e) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

16. INTANGIBLE ASSETS

	The Group		
	Casino licences and brand name US$'000	Bass Strait oil and gas royalty US$'000	Total US$'000
Cost			
At 1 July 2009	50,168	153,893	204,061
Additions	7,505	–	7,505
Exchange adjustments	(4,900)	7,495	2,595
At 30 June 2010	52,773	161,388	214,161
At 1 July 2010	52,773	161,388	214,161
Additions through acquisition of subsidiaries	936,363	–	936,363
Additions	1,105	–	1,105
Exchange adjustments	(4,669)	41,715	37,046
At 30 June 2011	985,572	203,103	1,188,675
Accumulated amortisation			
At 1 July 2009	–	42,877	42,877
Charge for the year	–	6,704	6,704
Exchange adjustments	–	1,852	1,852
At 30 June 2010	–	51,433	51,433
At 1 July 2010	–	51,433	51,433
Additions through acquisition of subsidiaries	89,126	–	89,126
Charge for the year	751	4,292	5,043
Exchange adjustments	(1,307)	13,615	12,308
At 30 June 2011	88,570	69,340	157,910
Net book value			
At 30 June 2011	897,002	133,763	1,030,765
At 30 June 2010	52,773	109,955	162,728

The Bass Strait oil and gas royalty represents the Group's interest in the Bass Strait Oil Trust. It is stated at cost less accumulated amortisation and impairment losses. The cost is amortised on a straight-line basis so that the amortisation charge for the year is included in administrative and other operating expenses in the consolidated income statement so as to write off the cost over its original useful lives of 25 years. Effective from 1 July 2010, based on the latest professional valuation report, the estimated useful life has been extended for 13 years to 2040.

The casino licences and brand name are with infinite useful lives (except for two Belgium casino concessions with an estimated remaining useful life of 9 years) and are stated at cost less impairment losses.

Notes to the Financial Statements

17. INTEREST IN SUBSIDIARIES

	The Company	
	2011	2010
	US$'000	US$'000
Unlisted shares	**24,824**	24,624
Amounts due from subsidiaries	**3,109,602**	3,648,528
	3,134,426	3,673,152
Amounts due to subsidiaries	**170,979**	236,330

As at 30 June 2011, amounts due from subsidiaries of US$172,651,000 (2010: US$103,696,000) bear interest at 1.14% (2010: 1.94%) per annum and are unsecured and have no fixed repayment term. The remaining outstanding balances are unsecured, interest free and have no fixed repayment term.

The amounts due to subsidiaries are unsecured, interest free and have no fixed repayment term.

(a) Details of the principal subsidiaries incorporated and operating in Hong Kong are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Asia Fountain Investment Company Limited	2 shares of HK$10 each	–	100	Investment trading
BIL (Far East Holdings) Limited	635,855,324 shares of HK$1 each	–	66	Investment holding
GuocoCapital Limited	120,000 shares of HK$100 each	–	100	Stockbroking and securities trading
GuocoCommodities Limited	100,000 shares of HK$100 each	–	100	Commodities broking
GuocoEquity Assets Limited	23,000,000 shares of HK$1 each	100	100	Investment holding
GuoSon Assets China Limited (formerly known as GuoSon Lifestyle Assets Limited)	1 share of HK$1 each	–	65	Investment holding
Guoco Management Company Limited	2 shares of HK$1 each	100	100	Provision of general management services
Guoco Investments (China) Limited	10,000,000 shares of HK$1 each	100	100	Investment holding

17. INTEREST IN SUBSIDIARIES (cont'd)

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Belmeth Pte Ltd	50,000,000 shares (S$50,000,000) *	–	52	Property investment
Branmil Holdings Pte Ltd	2 shares (S$2) *	–	65	Investment holding
Chelford Pte Ltd	2 shares (S$2) *	–	65	Investment holding
Cheltenham Investments Pte Ltd	500,000 shares (S$500,000) *	–	65	Investment holding
Da Zhong Investment Pte Ltd	1,000,000 shares (S$1,000,000) *	–	65	Investment holding
Elliot Development Pte Ltd	16,000,000 shares (S$16,000,000) *	–	65	Property development
Everian Holdings Pte Ltd	22,500,000 shares (S$22,500,000) *	–	65	Property development
First Bedok Land Pte Ltd	78,400,000 shares (S$78,400,000) *	–	65	Property development
First Capital Realty Pte Ltd	30,000,000 shares (S$30,000,000) *	–	65	Property development
First Meyer Development Pte Ltd	118,930,000 shares (S$118,930,000) *	–	65	Property development
GLL IHT Pte Ltd	10,000,000 shares (S$10,083,000) *	–	65	Provision of financial and treasury services
GLL Land Pte Ltd	70,000,000 shares (S$70,000,000) *	–	65	Property investment
GLL (Malaysia) Pte Ltd	58,000,000 shares (S$58,000,000) *	–	65	Investment holding
Goodwood Residence Development Pte Ltd	90,300,000 shares (S$90,300,000) *	–	65	Property development
Guoco Assets Pte Ltd	2 shares (S$2) *	100	100	Investment holding
Guoco Investment Services Pte Ltd	50,000 shares (S$50,000) *	–	100	Provision of investment advisory services
Guoco Property Management Pte Ltd	2 shares (S$2) *	–	65	Property management
GuocoLand Limited	1,183,373,276 shares (S$1,926,053,441) *	–	65	Investment holding

* Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005.

Amount shown represents the nominal value of the issued shares of the company.

Notes to the Financial Statements

17. INTEREST IN SUBSIDIARIES (cont'd)

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows: (cont'd)

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
GuocoLand Assets Pte Ltd	20,000,000 shares (S$20,000,000) *	100	100	Investment holding
GuocoLand Management Pte Ltd	500,000 shares (S$500,000) *	–	65	Provision of management services
GuocoLand Property Management Pte Ltd	2 shares (S$2) *	–	65	Property management, marketing and maintenance services
GuocoLand (Singapore) Pte Ltd	195,000,000 shares (S$195,000,000) *	–	65	Investment holding
GuocoLand Vietnam (S) Pte Ltd	1 share (S$1) *	–	65	Investment holding
GuocoLeisure Management Pte Ltd	2 shares (S$2)*	–	66	Management company
Guston Pte Ltd	10,000,000 shares (S$10,000,000) *	–	52	Holding and operating hotel
Leedon Residence Development Pte Ltd	158,000,000 shares (S$158,000,000) *	–	65	Property development
Perfect Eagle Pte Ltd	30,000,000 shares (S$30,000,000) *	–	52	Property development
MyHome Online Pte Ltd	10 shares (S$10) *	–	65	Provider of internet commerce services
Sophia Residence Development Pte Ltd	91,600,000 shares (S$91,600,000) *	–	65	Property development
Waterline Development Pte Ltd	13,000,000 shares (S$13,000,000) *	–	65	Property development
Winterhall Pte Ltd	14,400,000 shares (S$14,400,000) *	–	65	Property development

* Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005.

Amount shown represents the nominal value of the issued shares of the company.

17. INTEREST IN SUBSIDIARIES (cont'd)

(c) Details of the principal subsidiaries incorporated and operating in Malaysia are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Ace Acres Sdn. Bhd.	3,000,000 shares of RM1 each	–	44	Property development
Astute Modernization Sdn. Bhd.	2,000,000 shares of RM1 each	–	44	Investment holding
Bedford Development Sdn. Bhd.	88,499,000 shares of RM1 each	–	44	Investment holding and property development
Bedford Industrial Development Sdn. Bhd.	8,870,000 shares of RM1 each	–	44	Property development
Bedford Land Sdn. Bhd.	90,000,000 shares of RM1 each	–	44	Investment holding
BLV Fashions Sdn. Bhd.	37,300,000 shares of RM1 each	–	44	Property investment
Damansara City Sdn. Bhd.	20,000,000 shares of RM1 each	–	44	Property development
Guobena Development Sdn. Bhd.	46,000,000 shares of RM0.8 each	–	44	Property investment
Guoco Assets Sdn. Bhd.	250,000 shares of RM1 each 100,000 Class B shares of RM1 each	71	100	Investment holding
GuocoLand (Malaysia) Berhad	700,458,518 shares of RM0.5 each	–	44	Investment holding and provision of management services
Guoman Hotel & Resort Holdings Sdn. Bhd.	277,000,000 shares of RM1 each	–	51	Investment holding
Guoman International Sdn. Bhd.	4,600,000 shares of RM1 each	–	51	Provision of technical and management services
GLM Property Management Co Sdn. Bhd.	50,000 shares of RM1 each	–	44	Provision of property management services
GLM Property Services Sdn. Bhd.	200,000 shares of RM1 each	–	44	Provision of property management services

Notes to the Financial Statements

17. INTEREST IN SUBSIDIARIES (cont'd)

(c) Details of the principal subsidiaries incorporated and operating in Malaysia are as follows: (cont'd)

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
GLM REIT Management Sdn. Bhd.	1,000,000 shares of RM1 each	–	44	Provision of management services
HL Bandar Sdn. Bhd.	30,000,000 shares of RM1 each	–	44	Property investment
HLP Equities Sdn. Bhd.	370,000 shares of RM1 each	–	44	Investment holding
Hong Leong Housing Sdn. Bhd.	20,000,000 shares of RM1 each	–	44	Provision of construction management services
Hong Leong Real Estate Holdings Sdn. Bhd.	160,000,000 shares of RM1 each	–	44	Investment holding
JB Parade Sdn. Bhd.	40,000,000 shares of RM1 each	–	35	Investment holding and hotel operations
Kiapeng Development Sdn. Bhd.	160,000,000 shares of RM1 each	–	51	Property development and property investment
Pembinaan Sri Jati Sdn. Bhd.	20,000,000 shares of RM1 each	–	44	Investment holding and property development
PD Resort Sdn. Bhd.	100,000,000 shares of RM1 each	–	51	Property investment and development and hotel operations
Raikon Building Management Co Sdn. Bhd.	500,000 shares of RM1 each	–	44	Provision of property management services
Sabna Development Sdn. Bhd.	50,000,000 shares of RM1 each	–	44	Property development
Titan Debut Sdn. Bhd.	3,000,000 shares of RM1 each	–	44	Acquire, enhance and resale of properties

17. INTEREST IN SUBSIDIARIES (cont'd)

(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Asian Financial Common Wealth (PTC) Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	–	100	Provision of trustee service
All Global Investments Limited	Cayman Islands	1 share of US$1 each	100	100	Investment holding
Beijing Cheng Jian Dong Hua Real Estate Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	RMB50,000,000 (Note (ii))	–	59	Property development
Beijing Jiang Sheng Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	RMB250,000,000 (Note (ii))	–	65	Property development
Beijing Minghua Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	RMB200,000,000 (Note (ii))	–	49	Property development
BIL Asia Group Treasury Limited (Note (v))	British Virgin Islands	100 shares of NZD1 each	–	66	Financing company
BIL Australia Pty Limited	Australia	1 share of AUD1 each	–	66	Investment holding
BIL Finance Limited	New Zealand	100 shares of NZD1 each	–	66	Investment holding
BIL NZ Treasury Limited	New Zealand	200,100 shares of NZD1,000 each	–	66	Investment holding
Blue Square Gaming (Alderney) Limited (Note (i) & (ix))	Alderney	1 share of GBP1 each	–	75	Interactive gaming and sports betting
Blue Square Limited (Note (i) & (ix))	England and Wales	14,884,600 "A" shares of GBP1 each 500,000 "B" shares of GBP1 each	–	75	Support services to interactive gaming
Capital Intelligence Limited (Note (iii))	Cayman Islands	1 share of US$1 each	–	100	Investment trading
Clermont Leisure (UK) Limited	United Kingdom	55,000,000 shares of GBP1 each	–	66	Gaming
Fresco Resources Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	100	100	Financing activities

Notes to the Financial Statements

17. INTEREST IN SUBSIDIARIES (cont'd)

(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
GA Investment Limited	Labuan	200,000 shares of US$1 each	100	100	Investment holding
Great Insight Limited (Note (iii))	Cayman Islands	1 share of US$1 each	100	100	Financing activities
Grosvenor Casinos Limited (Note (i) & (ix))	England and Wales	39,000,000 shares of GBP1 each	–	75	London and provincial casinos
Guoco Assets (Philippines), Inc.	The Philippines	1,210,000 shares of P100 each	–	100	Investment holding
Guoco Securities (Bermuda) Limited	Bermuda	120,000 shares of US$0.1 each	100	100	Investment holding
GuocoLand Binh Duong Property Co., Ltd	Vietnam	VND251,108,438,781 (Note (ii))	–	65	Property development
GuocoLand (China) Limited	Bermuda	20,000,000 shares of US$1 each	–	65	Investment holding
GuocoLeisure Limited	Bermuda	1,368,063,633 shares of US$0.2 each	–	66	Hotel and property management
GuocoLeisure Assets Limited	Cayman Islands	1 share of US$1 each	100	100	Investment holding
Guoman Hotels Group Limited (Note (v))	Bermuda	1 share of US$1 each	–	66	Investment holding
Guoman Hotel Holdings Limited	United Kingdom	2 shares of GBP1 each	–	66	Investment holding
Guoman Hotels Limited	United Kingdom	310,545,212 shares of GBP0.26 each	–	66	Ownership and operation of hotels in UK
Guoman International Limited (Note (vi))	Jersey Channel Islands	90,000 shares of GBP1 each	–	51	Investment holding, provision of technical and management services
GuoSon Lifestyle Retail (Beijing) Ltd (Note (i) & (vii))	The People's Republic of China	US$11,600,000 (Note (ii))	–	65	Trading and consulting
GuoSon Investment Company Limited (Note (i) & (vii))	The People's Republic of China	US$370,000,000 (Note (ii))	–	65	Investment holding

17. INTEREST IN SUBSIDIARIES (cont'd)

(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Hainan Jinghao Asset Ltd (Note (i) & (vii))	The People's Republic of China	RMB10,000,000 (Note (ii))	–	65	Investment holding
Hong Way Holdings, Inc.	The Philippines	100,000 shares of P1 each	–	100	Investment holding
Ma Sing Investments Limited (Note (iv))	British Virgin Islands	407,174,860 shares of AUD1 each	–	66	Investment holding
Mecca Bingo Limited (Note (i) & (ix))	England and Wales	170,000,000 shares of GBP1 each 50,000 "A" shares of GBP1 each	–	75	Social and bingo clubs
Molokai Properties Limited	United States of America	100 shares of US$2 each	–	66	Investment holding
Nanjing Mahui Property Development Co., Ltd. (Note (i) & (viii))	The People's Republic of China	RMB286,000,000 (Note (ii))	–	62	Property development
Nanjing Xinhaoning Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	US$11,920,000 (Note (ii))	–	65	Property development
Nanjing Xinhaoxuan Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	US$11,920,000 (Note (ii))	–	65	Property development
Oceanease Limited	Cayman Islands	1 share of US$1 each	–	100	Investment trading
Rank Group Finance Plc (Note (i) & (ix))	England and Wales	200,000,000 shares of GBP1 each	–	75	Funding operations
Rank Group Gaming Division Limited (Note (i) & (ix))	England and Wales	76,133,001 shares of GBP1 each 55,531 "A" shares of GBP1 each	–	75	Investment holding and provision of shared services
Rank Group Plc (Note (i) & (ix))	United Kingdom	390,613,426 shares of GBp13 8/9 each	–	75	Investment holding of gaming business
Rank Holding España SA (Note (i) & (ix))	Spain	150,000 shares of EUR26.02 each	–	75	Investment holding of Top Rank España
Rank Holdings (Netherlands) BV (Note (i) & (ix))	Holland	65 shares of EUR453 each	–	75	Investment holding
Rank Interactive Development Limited (Note (i) & (ix))	England and Wales	20,000,001 shares of GBp1 each	–	75	Support services to interactive gaming

Notes to the Financial Statements

17. INTEREST IN SUBSIDIARIES (cont'd)

(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Rank Leisure Limited (Note (i) & (ix))	England and Wales	1 share of GBP1 each	–	75	Adult gaming centres in Mecca Bingo and Grosvenor Casinos
Rank Leisure Holdings Limited (Note (i) & (ix))	England and Wales	1,000,000 shares of GBP1 each 1,799 preferred shares of US$1 each	–	75	Investment holding and corporate activities
Rank Nemo (Twenty-Five) Limited (Note (i) & (ix))	England and Wales	1 share of GBP1 each	–	75	Investment holding
Rank Overseas Holdings Limited (Note (i) & (ix))	England and Wales	1,000,000 shares of GBP1 each	–	75	Investment holding
Shanghai Xinhaolong Property Development Co., Ltd (Note (i) & (vii))	The People's Republic of China	US$126,000,000 (Note (ii))	–	65	Property development
Shanghai Xinhaozhong Property Development Co., Ltd (Note (i) & (viii))	The People's Republic of China	US$20,000,000 (Note (ii))	–	64	Property development
Supreme Goal Investments Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	100	100	Property investment
Tabua Investments Limited	Fiji	2 shares of FJD1 each	–	66	Investment holding
Tianjin Zhong Xin Ming Shi Real Estate Development Co., Ltd (Note (i) & (vii))	The People's Republic of China	RMB510,000,000 (Note (ii))	–	65	Property development
Wayforward Services Limited (Note (v))	British Virgin Islands	1 share of US$1 each	–	66	Investment holding

Notes:

(i) These companies have a financial year end of 31 December.

(ii) These comprise capital contribution to the companies. These companies have a defined period of existence.

(iii) These companies are operating in Hong Kong.

(iv) These companies are operating in Australia.

(v) These companies are operating in United Kingdom.

(vi) These companies are operating in Malaysia.

(vii) These companies are foreign capital enterprise.

(viii) These companies are sino-foreign equity joint venture enterprise.

(ix) At 30 June 2011, the Group held a 78.4% interest in these companies. Subsequent to 30 June 2011, the Group finally decreased its ownership to 74.5%.

18. INTEREST IN ASSOCIATES

	The Group	
	2011 US$'000	2010 US$'000
Share of net assets		
Listed shares, overseas	**645,428**	483,973
Unlisted	**273**	853
Goodwill	**12,092**	12,092
Intangible assets	**–**	213,163
	657,793	710,081
Amounts due from associates	**7,533**	7,245
	665,326	717,326
Less: Impairment loss	**(37,462)**	(37,462)
	627,864	679,864

The market value of the listed investments at 30 June 2011 was US$1,190.9 million (2010: US$951.4 million).

The amounts due from associates are unsecured, interest free and have no fixed repayment terms.

Details of the principal associates are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Group	Principal activities
Crawforn Pte Ltd	Singapore	1,000,000 shares of S$1 each	26	Property development
Hong Leong Financial Group Berhad	Malaysia	1,052,767,789 shares of RM1 each	25	Financial services
Razgrad Pte Ltd	Singapore	1,000,000 shares of S$1 each	26	Property development
Stockton Investments Pte Ltd	Singapore	10,000 shares of S$1 each	25	Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of US$1 each	26	Investment holding

Notes:

(a) The Rank Group Plc ("Rank") was derecognised as an associate upon the closing date of the mandatory cash offer for the Rank shares on 7 June 2011. Please refer to note 20 for details.

Prior to 2009/10, the investment was classified as available-for-sale financial asset. It was derecognised upon the date of assuming significant influence in 2009/10 and the cumulative fair value reserve of US$36.1 million (included in note 6(b)) was transferred to profit or loss.

The intangible assets in Rank as at 30 June 2010, comprising casino licences and brand names, were with infinite useful lives and therefore not subject to amortisation. They were stated at cost less impairment losses.

(b) On 16 September 2010, the Group disposed of its entire interest of 30% in Pepsi-Cola Products Philippines, Inc., to a third party, recognising a profit of approximately US$41.7 million in the income statement.

18. INTEREST IN ASSOCIATES (cont'd)

The summarised financial information in respect of the Group's associates is set out below:

	The Group	
	2011 US$'000	2010 US$'000
Total assets	**51,974,128**	30,251,702
Total liabilities	**(48,396,176)**	(27,556,132)
	3,577,952	2,695,570
Non-controlling interests	**(924,145)**	(700,843)
Net assets	**2,653,807**	1,994,727
Group's share of associates' net assets	**645,701**	484,826
Revenue	**2,726,826**	1,643,412
Profit for the year	**785,579**	343,228
Group's share of associates' profits for the year	**216,695**	81,050

19. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2011 US$'000	2010 US$'000
Share of net assets – unlisted	**117,058**	102,394
Amounts due from jointly controlled entities	**3,526**	5,011
	120,584	107,405

The amounts due from jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

19. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd)

Details of principal jointly controlled entities are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Group	Principal activities
Bedford Damansara Heights Development Sdn. Bhd.	Malaysia	84,000,000 shares of RM1 each	22	Investment holding
Continental Estates Sdn. Bhd.	Malaysia	50,600,000 shares of RM1 each	22	Property development and operation of an oil palm estate
Kota Selatan Indah Sdn. Bhd.	Malaysia	30,000,000 shares of RM1 each	22	Property development
Promakmur Development Sdn. Bhd.	Malaysia	90,000,000 shares of RM1 each	22	Property development
Vintage Heights Sdn. Bhd.	Malaysia	140,000,000 shares of RM1 each	21	Property development and operation of an oil palm estate

Summary financial information on jointly controlled entities – Group's effective interest:

	The Group	
	2011	2010
	US$'000	US$'000
Non-current assets	**129,850**	123,389
Current assets	**34,707**	27,078
Non-current liabilities	**(27,256)**	(26,145)
Current liabilities	**(20,243)**	(21,928)
Net assets	**117,058**	102,394
Income	**22,536**	10,763
Expenses	**(15,051)**	(8,765)
Profits for the year	**7,485**	1,998

20. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisition of subsidiaries

(i) On 6 May 2011, the Group acquired 11.6% of the issued share capital of The Rank Group Plc ("Rank") from a third party, resulting in an aggregate interest of 40.8% in Rank. Rank is a European gaming company with a primary focus on casinos and bingo clubs in the UK. It also operates in Spain and Belgium.

(ii) On 6 May 2011, the Group announced in the UK a mandatory cash offer ("Offer") to acquire the shares in Rank for a cash consideration of GBP1.50 per offer share. As at 7 June 2011, being the first closing date of the Offer, the Group received valid acceptances in respect of 60,738,410 shares for a total cash consideration of approximately US$149.8 million. After the close of the first offer period, Rank became a 56.4% owned and controlled subsidiary of the Group.

(iii) For the financial year ended 30 June 2011, Rank, as a subsidiary, contributed US$85.3 million turnover and US$4.8 million to the profit for the year attributable to shareholders of the Company.

(iv) As a result of remeasuring to fair value the equity interest in Rank before the acquisition, US$2.1 million gain on derecognition of the associate was recognised in other net income in note 6(b).

The net assets acquired in the above acquisition and goodwill arising are as follows:

	Acquirees' carrying value before combination US$'000	**Fair value adjustment US$'000**	**Acquirees' fair value before combination US$'000**
Net assets acquired:			
Property, plant and equipment	345,188	–	345,188
Intangible assets	272,511	574,726	847,237
Deferred tax assets	27,152	–	27,152
Trade and other receivables	53,938	–	53,938
Cash and short term funds	257,745	–	257,745
Bank loans and borrowings	(202,828)	–	(202,828)
Trade and other payables	(157,022)	–	(157,022)
Taxation	(159,343)	–	(159,343)
Provision	(92,940)	–	(92,940)
Deferred tax liabilities	(8,343)	–	(8,343)
Net identifiable assets and liabilities	336,058	574,726	910,784
Fair value of the equity interest held in the acquiree			(397,762)
Share of non-controlling interests			(397,284)
Net identifiable assets and liabilities acquired			115,738
Goodwill arising from acquisition			34,088
Total consideration			149,826
Total consideration satisfied by:			
Cash			149,826

If the above acquisitions had occurred on 1 July 2010, total Group revenue would have been US$1,786.2 million and profit for the year attributable to shareholders of the Company would have been US$657.4 million for the year ended 30 June 2011.

20. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (cont'd)

(a) Acquisition of subsidiaries (cont'd)

Subsequent to 7 June 2011, the Offer remained open and the Group had received further valid acceptances from Rank Shareholders for 86,188,549 shares as at 30 June 2011 and subsequently reduced to 70,776,619 shares (net of withdrawals). The Group finally increased its ownership from 56.4% to 74.5%. The Group recognised a decrease in non-controlling interests of US$165.0 million and a decrease in retained earnings of US$8.7 million.

The following summarises the effect of changes in the Group's ownership interest in Rank:

	US$'000
Group's ownership interest at the acquisition	547,588
Effect of increase in Group's ownership interest	165,022
Share of comprehensive income	(1,298)
Group's ownership interest at end of year	711,312

(b) Acquisition of non-controlling interests

During the year, the Group acquired an additional 0.8% interest in GuocoLeisure Limited ("GuocoLeisure") for US$5.7 million in cash, increasing its ownership from 65.5% to 66.3%. The Group recognised a decrease in non-controlling interests of US$8.3 million and an increase in retained earnings of US$2.6 million.

The following summarises the effect of changes in the Group's ownership interest in GuocoLeisure:

	US$'000
Group's ownership interest at 1 July 2010	685,542
Effect of increase in Group's ownership interest	8,307
Share of comprehensive income	87,437
Group's ownership interest at 30 June 2011	781,286

During the financial year ended 30 June 2010, the Group acquired an additional 9.4% interest in GuocoLeisure for US$56 million in cash, increasing its ownership from 56.1% to 65.5%. The Group recognised a decrease in non-controlling interests of US$95.8 million and an increase in retained earnings of US$39.8 million.

The following summarises the effect of changes in the Group's ownership interest in GuocoLeisure:

	US$'000
Group's ownership interest at 1 July 2009	610,823
Effect of increase in Group's ownership interest	95,776
Share of comprehensive income	(21,057)
Group's ownership interest at 30 June 2010	685,542

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21. HELD-TO-MATURITY FINANCIAL ASSETS

	The Company	
	2011	2010
	US$'000	US$'000
Unlisted debt securities	**185,446**	173,026

The unlisted debt securities represent fixed rate notes issued by a wholly owned subsidiary of the Company, which bear interest at 8.2% per annum and are unsecured and are with repayment term of 2 years.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Equity securities				
Listed (at market value)				
– In Hong Kong	**1,394,290**	720,393	**–**	–
– Outside Hong Kong	**2,517**	2,438	**–**	–
Unlisted	**4,546**	8,547	**–**	–
	1,401,353	731,378	**–**	–
Club and other debentures	**451**	450	**203**	203
Investment in partnership	**34,534**	34,525	**–**	–
	1,436,338	766,353	**203**	203

23. GOODWILL

	The Group
	US$'000
Cost:	
At 1 July 2009	33,903
Exchange adjustments	142
At 30 June 2010	34,045
At 1 July 2010	34,045
Additions during the year (note 20(a))	34,088
Exchange adjustments	580
At 30 June 2011	68,713

In accordance with the Group's accounting policy, the carrying value of goodwill was tested for impairment as at 30 June 2011 and 30 June 2010. The results of the tests indicated no impairment charge was necessary.

24. DEVELOPMENT PROPERTIES

	The Group	
	2011	2010
	US$'000	US$'000
Cost as at 30 June	**3,980,260**	3,220,863
Less: Impairment loss	**(18,112)**	(19,362)
Progress instalments received and receivable	**(432,286)**	(453,287)
	3,529,862	2,748,214

The carrying amounts of development properties were written down based on their estimated selling prices.

Certain of the Group's development properties with book value of US$2,243.5 million (2010: US$1,543.7 million) were pledged for bank loans and mortgage debenture stock.

25. PROPERTIES HELD FOR SALE

	The Group	
	2011	2010
	US$'000	US$'000
As at 1 July	**183,613**	262,567
Additions	**265,205**	45,986
Transfer from development properties	**–**	6,497
Disposals	**(221,030)**	(152,691)
	227,788	162,359
Add: Write-back of provision for foreseeable loss	**–**	3,028
Exchange adjustments	**11,827**	18,226
As at 30 June	**239,615**	183,613

26. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Trade debtors	**310,023**	202,355	**–**	–
Deposits and prepayments	**231,376**	80,678	**129**	533
Derivative financial instruments, at fair value	**5,874**	8,123	**–**	–
Interest receivables	**1,385**	1,946	**1,355**	1,304
	548,658	293,102	**1,484**	1,837

Included in the Group's trade and other receivables is US$7.1 million (2010: US$102.6 million) which is expected to be recovered after one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for bad and doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2011 US$'000	2010 US$'000
Current	**296,613**	88,707
1 to 3 months	**4,819**	5,815
More than 3 months	**8,591**	107,833
	310,023	202,355

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The balance and the movement of the allowance for bad and doubtful debts as at 30 June 2011 and 2010 are not significant.

26. TRADE AND OTHER RECEIVABLES (cont'd)

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that is neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011	2010
	US$'000	US$'000
Neither past due nor impaired	**257,534**	68,821
Less than 1 month past due	**12,880**	7,977
1 to 3 months past due	**4,735**	4,217
More than 3 months past due	**8,521**	106,351
	26,136	118,545
	283,670	187,366

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as these are considered fully recoverable. The Group does not hold any collateral over these balances.

27. TRADING FINANCIAL ASSETS

	The Group	
	2011	2010
	US$'000	US$'000
Debt securities		
Listed (at market value)		
– In Hong Kong	**1,863**	–
– Outside Hong Kong	**25,165**	39,216
Unlisted	**27,532**	36,889
	54,560	76,105
Equity securities		
Listed (at market value)		
– In Hong Kong	**173,234**	177,175
– Outside Hong Kong	**1,939,836**	2,062,001
	2,113,070	2,239,176
Unit trusts		
Unlisted	**6,818**	14,452
	2,174,448	2,329,733

Notes to the Financial Statements

28. CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Deposits with banks	**1,638,802**	592,717	**739,492**	234,975
Cash at bank and in hand	**364,606**	231,003	**5,239**	9,209
Cash and short term funds in the statement of financial position	**2,003,408**	823,720	**744,731**	244,184
Cash collateral (Note)	**(292,620)**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**1,710,788**	823,720	**744,731**	244,184

Note: Cash collateral is deposited with financial institutions for loan facilities. Included in this amount is a deposit of US$293 million pledged with a financial institution in China for a bank loan.

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Trade creditors	**104,588**	80,270	**–**	–
Other payables and accrued operating expenses	**588,295**	621,732	**557**	605
Derivative financial instruments, at fair value	**23,241**	23,780	**–**	–
Amounts due to fellow subsidiaries	**12,117**	11,538	**2,655**	2,027
Amounts due to associates	**38**	36	**–**	–
Amounts due to jointly controlled entities	**320**	298	**–**	–
	728,599	737,654	**3,212**	2,632

Included in trade and other payables of the Group and the Company are amounts of US$60.2 million (2010: US$40.2 million) and US$0.3 million (2010: US$0.3 million) respectively which are expected to be payable after one year.

29. TRADE AND OTHER PAYABLES (cont'd)

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

	The Group	
	2011	2010
	US$'000	US$'000
Due within 1 month or on demand	**85,420**	59,222
Due after 1 month but within 3 months	**3,432**	4,825
Due after 3 months	**15,736**	16,223
	104,588	80,270

The amounts due to fellow subsidiaries, associates and jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

30. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	The Group	
	2011	2010
	US$'000	US$'000
Bank loans		
– Secured	**1,601,603**	145,519
– Unsecured	**1,168,429**	753,308
	2,770,032	898,827
Other loans		
– Secured	**782,601**	–
– Unsecured	**4,495**	–
	787,096	–
Unsecured medium term notes repayable within 1 year	**40,671**	53,642
Convertible bonds (note 32)	**304,554**	–
	3,902,353	952,469

Notes to the Financial Statements

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

	The Group	
	2011 US$'000	2010 US$'000
Bank loans		
– Secured	**830,727**	726,693
– Unsecured	**324,979**	37,924
	1,155,706	764,617
Other loans		
– Unsecured	**28,962**	–
Unsecured medium term notes and bonds	**621,874**	–
Secured mortgage debenture stock	**383,618**	373,033
Convertible bonds (note 32)	**–**	257,271
	2,190,160	1,394,921

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

	The Group									
	2011					2010				
	Bank loans US$'000	**Mortgage debenture stock US$'000**	**Convertible bonds US$'000**	**Other borrowings US$'000**	**Total US$'000**	Bank loans US$'000	Mortgage debenture stock US$'000	Convertible bonds US$'000	Other borrowings US$'000	Total US$'000
Within 1 year or on demand	**2,770,032**	**-**	**304,554**	**827,767**	**3,902,353**	898,827	–	–	53,642	952,469
After 1 year but within 2 years	**471,177**	**-**	**-**	**61,434**	**532,611**	79,737	–	257,271	–	337,008
After 2 years but within 5 years	**608,077**	**289,026**	**-**	**563,883**	**1,460,986**	683,490	283,909	–	–	967,399
After 5 years	**76,452**	**94,592**	**-**	**25,519**	**196,563**	1,390	89,124	–	–	90,514
	1,155,706	**383,618**	**-**	**650,836**	**2,190,160**	764,617	373,033	257,271	–	1,394,921
	3,925,738	**383,618**	**304,554**	**1,478,603**	**6,092,513**	1,663,444	373,033	257,271	53,642	2,347,390

Note:

The bank loans and mortgage debenture stock are secured by the following:

– legal mortgages on investment properties with an aggregate book value of US$1,009.9 million (2010: US$52.6 million) (note 15);

– legal mortgages on development properties with an aggregate book value of US$2,243.5 million (2010: US$1,543.7 million) (note 24);

– legal mortgages on property, plant and equipment with an aggregate book value of US$889.2 million (2010: US$691.0 million) (note 15); and

– certain trading financial assets with an aggregate book value of US$1,428.5 million (2010: US$nil) (note 27).

32. CONVERTIBLE BONDS

	The Group	
	2011 US$'000	2010 US$'000
Current	**304,554**	–
Non-current	**–**	257,271
	304,554	257,271

On 7 May 2007, GuocoLand Limited ("GuocoLand"), issued S$690 million (US$450 million) in principal amount of convertible bonds (the "Bonds") comprising S$345 million (US$225 million) in principal amount of unsecured Tranche 1 Convertible Bonds ("Tranche 1 Bonds") and S$345 million (US$225 million) in principal amount of unsecured Tranche 2 Convertible Bonds ("Tranche 2 Bonds").

The Bonds are convertible by the holders thereof (the "Bondholders") into new ordinary shares in the capital of GuocoLand ("Shares") at any time on or after 6 July 2007 and up to 27 April 2012 or if such Bonds shall have been called for redemption by GuocoLand before 27 April 2012, then up to a date no later than seven business days prior to the date fixed for redemption thereof. The adjusted conversion price of the Bonds is S$5.284 per Share with effect from 6 December 2010 following the issue of 295,843,319 new Shares, pursuant to a renounceable rights issue undertaken by GuocoLand.

At any time on or after 7 May 2009 and prior to the date falling 7 business days prior to 7 May 2012 (the "Maturity Date" of the Bonds), the Bonds may be redeemed in whole at the option of GuocoLand if the volume weighted average price of the Shares for each of 10 consecutive trading days was at least 120% of the principal amount of the Bonds plus interest equal to the applicable early redemption interest amount divided by the conversion ratio.

Unless previously redeemed, converted, or purchased and cancelled, the Tranche 1 Bonds shall be redeemed on the Maturity Date at its principal amount plus interest of 0.6% p.a. on a semi-annual basis of its principal amount and the Tranche 2 Bonds shall be redeemed on the Maturity Date at its principal amount plus interest of 1.9% p.a. on a semi-annual basis of its principal amount.

During the financial year ended 30 June 2010, GuocoLand had at the option of the bondholders, redeemed and cancelled S$337.8 million (US$241.6 million) of the Tranche 1 Bonds, at their principal amount plus interest equal to the applicable early redemption interest amount. Following the redemption and cancellation, the remaining aggregate principal amount of Tranche 1 Bonds is S$7.2 million (US$5.1 million).

33. PROVISIONS AND OTHER LIABILITIES

	The Group			
	Pensions US$'000	**Onerous leases US$'000**	**Others US$'000**	**Total US$'000**
As at 1 July 2010	6,858	816	440	8,114
Additions through acquisition of subsidiaries	4,879	71,017	17,044	92,940
Actuarial losses on defined benefit obligation	12,111	–	–	12,111
Charge to income statement during the year	1,336	170	431	1,937
Amounts settled or utilised during the year	(10,945)	(912)	(748)	(12,605)
Exchange adjustments	1,990	(2,191)	(243)	(444)
As at 30 June 2011	16,229	68,900	16,924	102,053
Provisions and other liabilities as at 30 June 2011 are disclosed as:				
Current liabilities	–	9,179	7,365	16,544
Non-current liabilities	16,229	59,721	9,559	85,509
	16,229	68,900	16,924	102,053

Notes to the Financial Statements

34. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowance in excess of related depreciation US$'000	Revaluation of properties US$'000	Timing difference on development properties US$'000	Revaluation of financial liabilities US$'000	Tax losses US$'000	Others US$'000	Total US$'000
As at 1 July 2009	526	102,323	12,398	(14,403)	(6,297)	8,149	102,696
Charged/(credited) to consolidated income statement	12	(21,818)	4,564	2,260	(1,617)	1,272	(15,327)
Charged to other comprehensive income	–	–	–	–	–	699	699
	538	80,505	16,962	(12,143)	(7,914)	10,120	88,068
Exchange adjustments	52	(8,585)	421	1,296	98	41	(6,677)
As at 30 June 2010	590	71,920	17,383	(10,847)	(7,816)	10,161	81,391
As at 1 July 2010	590	71,920	17,383	(10,847)	(7,816)	10,161	81,391
Additions through acquisition of subsidiaries	(45,850)	–	–	–	(13,900)	40,941	(18,809)
Charged/(credited) to consolidated income statement	691	(14,760)	10,142	2,281	7,842	(222)	5,974
Charged to other comprehensive income	–	–	–	–	–	19	19
Reclassification	–	–	11,831	–	–	(11,831)	–
	(44,569)	57,160	39,356	(8,566)	(13,874)	39,068	68,575
Exchange adjustments	1,527	4,827	792	(718)	(284)	213	6,357
As at 30 June 2011	(43,042)	61,987	40,148	(9,284)	(14,158)	39,281	74,932

	2011 US$'000	2010 US$'000
Net deferred tax assets recognised on the statement of financial position	**(14,469)**	(149)
Net deferred tax liabilities recognised on the statement of financial position	**89,401**	81,540
	74,932	81,391

34. DEFERRED TAXATION (cont'd)

(b) Deferred tax assets unrecognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group	
	2011 US$'000	2010 US$'000
Deductible temporary differences	**4,597**	3,581
Tax losses	**2,082,509**	665,925
	2,087,106	669,506

The Group has not recognised deferred tax assets in respect of tax losses for certain group companies as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The deductible temporary differences and tax losses have no expiry dates under current tax legislation.

(c) Deferred tax liabilities not recognised

As at 30 June 2011, temporary differences relating to the undistributed profits of subsidiaries amounted to US$214.0 million (2010: US$137.1 million). Deferred tax liabilities of US$21.4 million (2010: US$13.7 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

35. SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital US$'000	**Share premium US$'000**	**Retained profits US$'000**	**Total equity US$'000**
The Company				
At 1 July 2009	164,526	10,493	3,511,127	3,686,146
Final dividend paid in respect of prior year	–	–	(63,687)	(63,687)
Interim dividend paid in respect of current year	–	–	(33,924)	(33,924)
Total comprehensive income for the year				
– Profit for the year	–	–	264,905	264,905
At 30 June 2010	164,526	10,493	3,678,421	3,853,440
At 1 July 2010	164,526	10,493	3,678,421	3,853,440
Final dividend paid in respect of prior year	–	–	(84,899)	(84,899)
Interim dividend paid in respect of current year	–	–	(42,175)	(42,175)
Total comprehensive income for the year				
– Profit for the year	–	–	165,733	165,733
At 30 June 2011	164,526	10,493	3,717,080	3,892,099

35. SHARE CAPITAL AND RESERVES (cont'd)

(b) Nature and purpose of reserves

(i) The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(ii) The capital and other reserves have been set up and will be dealt with in accordance with the Group's accounting policies. The equity component of the issued convertible bonds, which represents the implied fair value of the conversion rights, is included in the capital reserve.

(iii) The contributed surplus is governed by Section 54 of the Companies Act 1981 of Bermuda.

The contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iv) The ESOP reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees (Note 38).

(v) The share option reserve comprises the cumulative value of employee services received for the issue of share options.

(vi) The exchange translation reserve comprises:

(a) the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates whose functional currencies are different from the functional currency of the Company.

(b) the exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries and associates.

(vii) Fair value reserve comprises unrealised gain or loss arising from changes in fair value of available-for-sale financial assets.

(viii) Revaluation reserve comprises increase in fair value of property, plant and equipment and development properties from acquired subsidiaries.

(ix) Distributable reserves of the Company as at 30 June 2011 amounted to US$3,680,889,000 (2010: US$3,678,421,000).

35. SHARE CAPITAL AND RESERVES (cont'd)

(c) Share capital

	The Group and The Company			
	2011		2010	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Authorised:				
Ordinary shares of US$0.50 each	**1,000,000**	**500,000**	1,000,000	500,000
Issued and fully paid:				
As at 1 July and 30 June	**329,051**	**164,526**	329,051	164,526

Note: As at 30 June 2011, 4,026,862 ordinary shares (2010: 4,026,862 ordinary shares) were acquired by the Group to reserve for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

	The Group	
	2011 US$'000	2010 US$'000
Net assets acquired:		
Property, plant and equipment	**345,188**	–
Intangible assets	**847,237**	–
Deferred tax assets	**27,152**	–
Trade and other receivables	**53,938**	–
Cash and short term funds	**257,745**	–
Bank loans and borrowings	**(202,828)**	–
Trade and other payables	**(157,022)**	–
Taxation	**(159,343)**	–
Provision	**(92,940)**	–
Deferred tax liabilities	**(8,343)**	–
	910,784	–
Fair value of the equity interest held in the acquiree	**(397,762)**	–
Share of non-controlling interests	**(397,284)**	–
Goodwill arising from acquisition	**34,088**	–
Total consideration	**149,826**	–
Satisfied by:		
Cash consideration	**149,826**	–

Notes to the Financial Statements

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(b) Analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	The Group	
	2011 **US$'000**	2010 US$'000
Cash consideration	**149,826**	–
Cash at bank and in hand acquired	**(257,745)**	–
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(107,919)**	–

37. EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plans

The Group has several defined benefit pension schemes, all of which are closed to new members and managed by independent administrators. Actuarial valuations are carried out at least once every three years and informal valuations are carried out in the intervening years.

(i) The amounts recognised in the statement of financial position are as follows:

	The Group	
	2011 **US$'000**	2010 US$'000
Present value of wholly or partly funded obligations	**(116,603)**	(106,339)
Fair value of plan assets	**105,089**	87,370
Net unrecognised actuarial losses	**–**	12,111
	(11,514)	(6,858)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

37. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

(ii) Changes in the present value of the defined benefit obligation:

	The Group	
	2011	2010
	US$'000	US$'000
At 1 July	**106,339**	98,813
Service cost	**457**	339
Interest cost	**6,009**	5,554
Actuarial (gain)/loss	**(227)**	13,785
Benefits paid	**(3,980)**	(3,538)
Exchange differences	**8,005**	(8,614)
At 30 June	**116,603**	106,339

(iii) Changes in the fair value of plan assets:

	The Group	
	2011	2010
	US$'000	US$'000
At 1 July	**87,370**	79,629
Expected return on plan assets	**6,174**	5,032
Contributions from the Group	**5,444**	5,102
Benefits paid	**(3,980)**	(3,538)
Actuarial gain	**4,110**	8,830
Exchange differences	**5,971**	(7,685)
At 30 June	**105,089**	87,370

(iv) Movements in the other liabilities recognised in the statement of financial position are as follows:

	The Group	
	2011	2010
	US$'000	US$'000
At 1 July	**(6,858)**	(10,750)
Contributions paid to plans	**5,402**	5,063
Expense recognised in statement of comprehensive income	**(7,945)**	(1,322)
Exchange differences	**(2,113)**	151
At 30 June	**(11,514)**	(6,858)

37. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

(v) Expense recognised in consolidated income statement and statement of comprehensive income is as follows:

	The Group	
	2011	2010
	US$'000	US$'000
Current service cost	**(454)**	(357)
Interest cost	**(5,951)**	(5,832)
Actuarial expected return on plan assets	**6,139**	5,293
Net actuarial loss recognised	**(7,679)**	(426)
	(7,945)	(1,322)

(vi) The principal actuarial assumptions used as at 30 June 2011 (expressed as weighted averages) are as follows:

	The Group	
	2011	2010
Discount rate	**4.55%**	4.20%
Expected returns on plan assets – equities	**8.00%**	8.00%
Expected returns on plan assets – bonds	**5.20%**	5.10%
Expected rates of salary increase	**4.70%**	3.90%

(b) Defined contribution retirement plans

The Company and its subsidiaries in Hong Kong operate a Mandatory Provident Fund Scheme ("MPF Scheme") which has been established under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance in December 2000. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group's contribution is 10 percent or 5 percent of employees' monthly salaries and is expensed as incurred.

Subsidiaries in Singapore operates a Central Provident Fund Scheme ("CPF Scheme") which is a defined contribution scheme. Under this CPF Scheme, the subsidiary's contribution is 5 percent to 15.5 percent of employees' monthly salaries and is expensed as incurred.

During the year, the Group's cost incurred on employees pension schemes were US$3,314,000 (2010: US$3,103,000) and forfeited contributions in the amount of US$34,000 (2010: US$29,000) were used to reduce current year's contributions.

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) The Company

The Company adopted a share option scheme (the "Share Option Scheme") on 29 November 2001 for the purpose of providing any employees or directors of the Company or any of its subsidiaries or associated companies (the "Eligible Employee") the opportunity of participating in the growth and success of the Group.

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of the share option. It will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited ("the Stock Exchange") for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option; and (c) the nominal value of a share.

A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days inclusive of, and from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant in respect of such offer. No share option may be granted more than ten years after 29 November 2001, the date on which the Share Option Scheme was adopted by the Company.

On 16 December 2002, the Company established a share option plan (the "Share Option Plan") for the purpose of motivating the employees and directors of the Group companies and the employees of associated companies (the "Participants") and allowing them to participate in the growth of the Group through the grant of options over existing shares.

The exercise price of an option for the purchase of share will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option, which must be a business day; and (c) the nominal value of a share.

A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant of such option. No share option may be granted more than ten years after 16 December 2002, the date on which the Share Option Plan was adopted by the Company.

No share options were outstanding during the year and no option has been granted to any eligible participants pursuant to the Share Option Scheme and Share Option Plan during the year.

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(b) GuocoLand Limited ("GuocoLand")

The GuocoLand Limited Executives' Share Option Scheme (the "Scheme") was approved by the shareholders of GuocoLand at an extraordinary general meeting held on 31 December 1998. The Scheme was further approved by the Company at an extraordinary general meeting held on 1 February 1999.

In October 2004, shareholders of GuocoLand and the Company approved the proposed amendments to the rules of the Scheme (the "Rules") to inter alia alter the structure of the Scheme to allow the grant of options to be satisfied over newly issued ordinary shares of GuocoLand (the "Shares") or the transfer of existing Shares, or a combination of both new Shares and existing Shares, as well as to align the Rules with the requirements under Chapter 17 of The Stock Exchange of Hong Kong Limited Listing Rules.

As this GuocoLand's Scheme was due to expire on 30 December 2008, a new GuocoLand Limited Executives' Share Option Scheme 2008 (the "GuocoLand ESOS 2008") was adopted in place of the GuocoLand Scheme on 21 November 2008. The termination of the GuocoLand Scheme however does not affect outstanding options which had been granted thereunder.

The GuocoLand ESOS 2008 was approved by the shareholders of GuocoLand on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the "Effective Date"). The GuocoLand ESOS 2008 was adopted by GuocoLand in place of the GuocoLand Scheme to provide for continuation of an executives' share option scheme on terms substantially similar to the GuocoLand Scheme. Under the GuocoLand ESOS 2008, options may be granted over newly issued and/or existing shares of GuocoLand to eligible participants including employees and executive directors of GuocoLand and its subsidiaries who are not controlling shareholders of GuocoLand. The GuocoLand ESOS 2008 shall continue to be in force at the discretion of the GuocoLand ESOS Committee subject to a maximum period of 10 years commencing on the Effective Date till 20 November 2018.

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(b) GuocoLand Limited ("GuocoLand") (cont'd)

(i) *The terms and conditions of the grants that existed during the year (including the number of adjusted option pursuant to GuocoLand's rights issue in July 2007 and December 2010), whereby all options are settled by physical delivery of shares:*

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors of GuocoLand:			
– on 1 November 2004	3,699,150	3,699,150 options exercised in FY07/08	3.75 years
– on 1 November 2004	3,699,150	3,699,150 options exercised in FY09/10	4.75 years
Options granted to employees of GuocoLand:			
– on 1 November 2004	1,707,300	1,707,300 options exercised in FY07/08	3.75 years to 4.75 years
– on 1 November 2004	1,138,200	1,138,200 options exercised in FY08/09	
– on 1 November 2004	1,707,300	1,707,300 options exercised in FY08/09	
– on 1 November 2004	2,276,400	2,276,400 options exercised in FY09/10	
– on 30 May 2005	2,000,000	Exercised in FY06/07	2 years
– on 30 May 2005	2,276,400	Exercised in FY09/10	3.17 years
– on 30 May 2005	2,276,400	Exercised in FY09/10	4.17 years
Options granted to directors of GuocoLand:			
– on 19 January 2007	11,382,000	Certain financial and performance targets to be met during the performance periods for FY2006 to 2008 and FY2009 to 2011	2 to 7 years
– on 19 January 2007	788,773		
Options granted to employees of GuocoLand:			
– on 19 January 2007	12,804,750		
– on 19 January 2007	569,100	569,100 options lapsed in FY07/08	
– on 19 January 2007	2,276,400	2,276,400 options lapsed in FY08/09	
– on 19 January 2007	887,370	788,773 and 887,370 additional options granted arising from the GuocoLand's rights issue 2010	
Options granted to employees of GuocoLand:			
– on 28 September 2009	7,180,700	Certain financial and performance targets to be met during the performance periods for FY2010 to 2012	3 to 5 years
– on 28 September 2009	2,000,000	2,000,000 options lapsed in FY09/10	
– on 28 September 2009	3,069,300	3,069,300 options lapsed in FY10/11	
– on 28 September 2009	571,725	571,725 additional options granted arising from the GuocoLand's rights issue 2010	
Total share options	62,310,418		

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(b) GuocoLand Limited ("GuocoLand") (cont'd)

(ii) The number and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**S$2.32**	**34,436,750**	S$1.95	34,715,100
Lapsed during the year	**S$2.24**	**(3,069,300)**	S$2.29	(2,000,000)
Exercised during the year	**–**	**–**	S$1.09	(10,528,350)
Granted during the year	**–**	**–**	S$2.29	12,250,000
Additional options granted arising from the GuocoLand's rights issue 2010	**S$2.17**	**2,247,868**	–	–
Outstanding at the end of the year	**S$2.17**	**33,615,318**	S$2.32	34,436,750
Exercisable at the end of the year	**N/A**	**–**	N/A	–

	2011	2010
The weighted average share price at the date of exercise for share options exercised during the year	**N/A**	S$1.99
The weighted average exercise price per share of the outstanding options	**S$2.17**	S$2.32
The weighted average remaining contractual life of the options	**1.0 year**	1.7 years

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(b) GuocoLand Limited ("GuocoLand") (cont'd)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility is based on 1-year historical volatility.

Date of grant of options	1 Nov 2004	30 May 2005	19 Jan 2007	28 Sep 2009
Fair value at measurement date	S$0.10 to S$0.11	S$0.09 to S$0.10	S$0.47 to S$0.73	S$0.69 to S$0.72
Share price at grant date	S$1.22	S$1.34	S$2.78	S$2.28
Exercise price	S$1.19	S$1.32	S$2.65	S$2.29
Adjusted exercise price	S$1.05	S$1.16	S$2.18	S$2.14
Expected volatility	21.4%	18.8%	29.5%	42.2% to 49.8%
Expected option life	3.2 years to 4.2 years	1.5 years to 3.6 years	1.8 years to 6.8 years	3.2 years to 5.2 years
Expected dividend yield	6.6%	6.0%	2.9%	2.2%
Risk-free interest rate	1.8% to 2.2%	2.1% to 2.3%	3.0% to 3.1%	0.6% to 1.3%

(c) GuocoLeisure Limited ("GuocoLeisure")

The GuocoLeisure Share Option Plan (the "GuocoLeisure Plan") was approved by the shareholders of GuocoLeisure in 2001 to allow the grant of options to eligible participants including employees and executive and non-executive directors of GuocoLeisure and its subsidiaries (the "GuocoLeisure Group") who are not controlling shareholders of GuocoLeisure. The GuocoLeisure Plan was terminated on 21 November 2008. There were no outstanding options pursuant to the GuocoLeisure Plan as at 30 June 2011, and no option has been granted to any eligible participants pursuant to the GuocoLeisure Plan during the year.

The GuocoLeisure Value Creation Incentive Share Scheme (the "Scheme") is a share incentive scheme which was approved by the board in 2003 and is administered by its remuneration committee. Under the Scheme, options over existing shares of GuocoLeisure are issued to eligible participants. The Scheme was terminated on 21 November 2008.

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38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(c) GuocoLeisure Limited ("GuocoLeisure") (cont'd)

The GuocoLeisure Limited Executives' Share Option Scheme 2008 (the "GuocoLeisure ESOS 2008") was approved by the shareholders of GuocoLeisure on 17 October 2008 and further approved by the shareholders of the Company on 21 November 2008 (the "Effective Date") in place of the previous GuocoLeisure Share Option Plan and the GuocoLeisure Value Creation Incentive Share Scheme, which were both terminated on 21 November 2008. The GuocoLeisure ESOS 2008 allows the grant of options over newly issued and/or existing shares of GuocoLeisure to eligible participants including employees and executive directors of the GuocoLeisure Group who are not controlling shareholders of GuocoLeisure. The GuocoLeisure ESOS 2008 shall continue to be in force at the discretion of the GuocoLeisure ESOS Committee, subject to a maximum period of 10 years commencing from the GuocoLeisure ESOS Effective Date till 20 November 2018. 5,300,000 options were granted pursuant to the GuocoLeisure ESOS 2008 on 16 December 2010.

(i) *The terms and conditions of the grants that existed during the year, whereby all options are settled by physical delivery of shares:*

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees of GuocoLeisure:			
– on 5 October 2007	15,100,000	1,000,000 options lapsed in FY07/08 2,300,000 options lapsed in FY08/09 11,800,000 options lapsed in FY10/11	
Options granted to directors of GuocoLeisure:			
– on 16 December 2010	5,000,000	1 to 3 years from the date of grant	1.5 to 3.3 years
Options granted to employees of GuocoLeisure:			
– on 16 December 2010	300,000	1 to 3 years from the date of grant	1.5 to 3.3 years
Total share options	20,400,000		

(ii) *The number and weighted average exercise prices of share options are as follows:*

	2011		2010	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**S$1.43**	**11,800,000**	S$1.43	11,800,000
Granted during the year	**S$0.713**	**5,300,000**	–	–
Lapsed during the year	**S$1.43**	**(11,800,000)**	–	–
Outstanding at the end of the year	**S$0.713**	**5,300,000**	S$1.43	11,800,000
Exercisable at the end of the year	**N/A**	**–**	N/A	–

	2011	2010
The weighted average exercise price per share of the outstanding options	**S$0.713**	S$1.43
The weighted average remaining contractual life of the options	**3.3 years**	2.1 years

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(c) GuocoLeisure Limited ("GuocoLeisure") (cont'd)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility, dividend yield and risk-free rate are based on 5-year and 3-year historical trends for the date of grants of 16 December 2010 and 5 October 2007 respectively.

Date of grant of options	**16 December 2010**	**5 October 2007**
Fair value at measurement date	S$0.189 to S$0.263	S$0.38 to S$0.48
Share price at grant date	S$0.715	S$1.33
Exercise price	S$0.713	S$1.43
Expected volatility	56.7%	41.8%
Expected option life	1.5 years to 3.3 years	2.7 years to 4.7 years
Expected dividend yield	1.99%	2.6%
Risk-free interest rate	2.04%	3.0%

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(d) Rank

Rank operates the Save-As-You-Earn ("SAYE") share option scheme, the Executive Share Option Scheme ("ESOS") and the Long Term Incentive Plans ("LTIP"), a share award scheme. All of these schemes are equity settled. At the Rank's 2010 annual general meeting, shareholders approved a new 'umbrella' long-term incentive plan ("the 2010 LTIP") to replace both the 2005 Long-Term Incentive Plan that expired in April 2010 ("the 2005 LTIP") and the 2002 Executive Share Option Scheme (pursuant to which no awards had been made since 2006 and which in any event was due to expire in 2012).

No new options or awards were granted during June 2011.

(i) The terms and conditions of the grants that existed during the period, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions		Contractual life of options
Options granted to directors of Rank:				
– SAYE	–	SAYE	Not subject to any performance conditions	maximum 5.5 years
– ESOS	–			
– LTIP	1,007,632			
Options granted to directors of subsidiaries of Rank:		ESOS	All vested	maximum 10 years
– SAYE	29,598			
– ESOS	102,581			
– LTIP	1,764,172	LTIP	Certain financial and performance targets to be met and will be vested 3 years from the date of grant	maximum 4 years
Options granted to employees of Rank:				
– SAYE	255,781			
– ESOS	144,321			
– LTIP	597,921			
Total share options	3,902,006			

38. EQUITY SETTLED SHARE-BASED TRANSACTIONS (cont'd)

(d) Rank (cont'd)

(ii) *The number and weighted average exercise prices of share options are as follows:*

	2011 Weighted average exercise price	2011 Number of options
Outstanding at 1 June 2011	**42.67GBp**	**4,434,862**
Exercised during the period	**139.00GBp**	**(6,076)**
Expired during the period	**146.91GBp**	**(526,780)**
Outstanding at the end of the year	**28.40GBp**	**3,902,006**
Exercisable at 30 June 2011	**256.40GBp**	**315,926**

	2011
The weighted average share price at the date of exercise for share options exercised during the period	**151.71GBp**
The weighted average exercise price per share of the outstanding options	**28.40GBp**
The weighted average remaining contractual life of the options	**1.9 years**

(iii) *Fair value of share options and assumptions*

The fair values for each of the ESOS and SAYE awards granted were calculated using a Black-Scholes pricing model. The fair value of LTIP awards is calculated using a Monte Carlo simulation which allows for the incorporation of market performance conditions. For grants made subject to an EPS performance condition, the expense recognised is based on expectations of these conditions being met, which are reassessed at the end of each reporting period.

	2011 LTIP	2010 LTIP
Fair value at measurement date	79.10GBp	83.56GBp to 89.20GBp
Share price at grant date	129.30GBp	115.20GBp to 119.00GBp
Exercise price	Nil	Nil
Expected volatility	42.0%	49.0%
Expected option life	3.0 years	3.0 years
Expected dividend yield	2.7%	2.5% to 2.9%
Risk-free interest rate	1.7%	1.1% to 1.8%

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are managed by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risks are primarily attributable to bank deposits, debt securities, derivative financial instruments and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's bank deposits are only deposited in and debt securities are only purchased from counterparties which have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparty and country to manage concentration risk.

The Group's credit exposure in property business is minimal as customers fund their purchases of residential housing units with mortgaged home loans from independent financial institutions. The hotel business has its own credit policy to allow credit period of up to 14 days for certain of its customers. Sales to gaming retail customers are settled in cash or using major credit cards. The Group has no significant concentrations of credit risks. The Group only obtain liquid securities as collaterals from margin clients of securities, commodities and brokerage business.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position after deducting any impairment allowance.

(b) Liquidity risk

Liquidity is managed on a daily basis by the treasury and finance departments. They are responsible for ensuring that the Group has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(b) Liquidity risk (cont'd)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	2011 Contractual undiscounted cash flow						2010 Contractual undiscounted cash flow					
	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total US$'000	Carrying amount at 30 June 2011 US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total US$'000	Carrying amount at 30 June 2010 US$'000
The Group												
Non-derivative financial liabilities												
Bank loans and other loans	(3,552,528)	(552,261)	(675,885)	(121,927)	(4,902,601)	(4,741,796)	(932,951)	(103,118)	(729,500)	(1,445)	(1,767,014)	(1,663,444)
Unsecured medium term notes	(67,774)	(82,760)	(605,869)	(16,338)	(772,741)	(662,545)	(54,642)	–	–	–	(54,642)	(53,642)
Secured mortgage debenture stock	(35,373)	(35,373)	(313,412)	(130,628)	(514,786)	(383,618)	(33,624)	(33,624)	(325,688)	(128,938)	(521,874)	(373,033)
Convertible bonds	(314,668)	–	–	–	(314,668)	(304,554)	–	(276,532)	–	–	(276,532)	(257,271)
Trade and other payables	(645,142)	(58,093)	(2,005)	(118)	(705,358)	(705,358)	(671,042)	(2,393)	(40,338)	(101)	(713,874)	(713,874)
	(4,615,485)	(728,487)	(1,597,171)	(269,011)	(7,210,154)	(6,797,871)	(1,692,259)	(415,667)	(1,095,526)	(130,484)	(3,333,936)	(3,061,264)
Derivative financial liabilities												
Derivatives settled net:												
Interest rate swaps	(4,397)	(4,163)	(6,640)	–	(15,200)		(2,064)	(2,014)	(4,772)	–	(8,850)	
Derivatives settled gross:												
Forward foreign exchange contracts												
– outflows	(3,568,926)	(5,089)	–	–	(3,574,015)		(2,706,885)	–	–	–	(2,706,885)	
– inflows	3,556,653	5,000	–	–	3,561,653		2,690,430	–	–	–	2,690,430	
Currency option contracts												
– outflows	(158,190)	–	–	–	(158,190)		(42,972)	–	–	–	(42,972)	
– inflows	158,617	–	–	–	158,617		42,899	–	–	–	42,899	
	(16,243)	(4,252)	(6,640)	–	(27,135)		(18,592)	(2,014)	(4,772)	–	(25,378)	
The Company												
Non-derivative financial liabilities												
Trade and other payables	(2,942)	(270)	–	–	(3,212)	(3,212)	(2,362)	(270)	–	–	(2,632)	(2,632)
Derivative financial liabilities												
Derivatives settled gross:												
Forward foreign exchange contracts												
– outflows	–	–	–	–	–		(966,542)	–	–	–	(966,542)	
– inflows	–	–	–	–	–		966,362	–	–	–	966,362	
	–	–	–	–	–		(180)	–	–	–	(180)	
Financial guarantees issued to banks on behalf of subsidiaries (maximum amount guaranteed)	(520,000)	–	–	–	(520,000)		(150,000)	–	–	–	(150,000)	

Notes to the Financial Statements

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(c) Interest rate risk

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 at 30 June 2011, the Group had interest rate swaps with outstanding notional amount of US$327.3 million (2010: US$146.9 million).

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest earning financial assets and interest bearing financial liabilities at the end of the reportable period.

	2011		2010	
	Effective interest rate	**US$'000**	Effective interest rate	US$'000
The Group				
Floating rate financial assets/(liabilities)				
Debt securities	**5.49% to 7.12%**	**29,474**	0.83% to 9.50%	51,596
Bank loans and other borrowings	**0.44% to 7.35%**	**(4,662,626)**	0.59% to 7.05%	(1,663,444)
		(4,633,152)		(1,611,848)
Fixed rate financial assets/(liabilities)				
Debt securities	**4.0% to 6.75%**	**25,086**	3.49% to 7.25%	24,509
Deposits with banks	**0.01% to 4.39%**	**1,638,802**	0.05% to 4.50%	592,717
Bank loans and other borrowings	**2.00% to 10.75%**	**(1,429,887)**	1.30% to 10.75%	(683,946)
		234,001		(66,720)
Total		**(4,399,151)**		(1,678,568)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(c) Interest rate risk (cont'd)

(i) *Interest rate profile (cont'd)*

	2011		2010	
	Effective interest rate	**US$'000**	Effective interest rate	US$'000
The Company				
Fixed rate financial assets				
Deposits with banks	**0.01% to 3.05%**	**739,492**	0.05% to 4.50%	234,975
Amount due from subsidiaries	**1.14%**	**172,651**	1.94%	103,696
Held-to-maturity financial assets	**8.20%**	**185,446**	8.20%	173,026
		1,097,589		511,697

(ii) *Sensitivity analysis*

As at 30 June 2011, it is estimated that a general increase/decrease of 10 to 54 basis points (2010: 21 to 54 basis points) in interest rates for the Group's various currencies, mainly United States dollars, British pounds, Malaysian Ringgit and Singapore dollars, with all other variables held constant, would have decreased/increased the Group's profit and total equity by approximately US$8.9 million (2010: decreased/increased of US$3.5 million). This takes into account the effect of interest earning bank deposits and interest bearing bank loans and other borrowings as at 30 June 2011.

The sensitivity analysis above indicates the instantaneous change in the Group's profit and total equity that would arise assuming that the change in interest rates had occurred at the end of the reportable period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reportable period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(d) Foreign currency risk

Structural foreign currency positions arise mainly on overseas investments in Singapore, Malaysia, PRC and United Kingdom. Currency exposure to these overseas investments is managed primarily at the Group level with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations.

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.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(d) Foreign currency risk (cont'd)

(i) Exposure to foreign currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of interest in subsidiaries are excluded.

	2011					2010				
	Australian Dollars '000	British Pounds '000	Japanese Yen '000	Malaysian Ringgit '000	Singapore Dollars '000	Australian Dollars '000	British Pounds '000	Japanese Yen '000	Malaysian Ringgit '000	Singapore Dollars '000
The Group										
Trade and other receivables	412	321	4,535	90	6,903	10,718	91	–	84	5,020
Trading financial assets	303,474	31,427	29,414,279	195,378	17,431	181,672	195,630	14,026,508	174,350	26,784
Cash and short term funds	416	2,151	13,492	112,513	6,479	182,590	1,742	185,695	34,890	18,676
Trade and other payables	-	-	-	(373)	(1,536)	(3,766)	–	–	(528)	(1,341)
Bank loans and other borrowings	-	(5,000)	-	-	-	–	(36,000)	–	–	–
Gross exposure arising from recognised assets and liabilities	304,302	28,899	29,432,306	307,608	29,277	371,214	161,463	14,212,203	208,796	49,139
Notional amounts of forward exchange contracts at fair value through profit or loss	(322,646)	5,987	(57,918,010)	271,204	252,552	(124,878)	(288,249)	(15,704,565)	(47,522)	(37,931)
Notional amounts of currency option contracts at fair value through profit or loss	25,000	20,000	(1,868,400)	305	-	–	–	–	32,300	7,908
Overall net exposure	6,656	54,886	(30,354,104)	579,117	281,829	246,336	(126,786)	(1,492,362)	193,574	19,116
The Company										
Trade and other receivables	-	-	-	4,040	-	105	–	–	3,902	25
Cash and short term funds	416	313	13,492	112,091	4,559	182,590	810	185,695	34,651	17,159
Gross exposure arising from recognised assets and liabilities	416	313	13,492	116,131	4,559	182,695	810	185,695	38,553	17,184

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(d) Foreign currency risk (cont'd)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2011			2010		
	Increase in foreign exchange rates	**Effect on profit US$'000**	**Effect on other components of equity US$'000**	Increase in foreign exchange rates	Effect on profit US$'000	Effect on other components of equity US$'000
The Group						
Australian Dollars	**5%**	**(976)**	**–**	3%	6,301	–
British Pounds	**1%**	**78**	**–**	3%	(5,710)	–
Japanese Yen	**5%**	**(18,216)**	**–**	13%	(5,649)	–
Malaysian Ringgit	**3%**	**5,828**	**–**	3%	1,481	–
Singapore Dollars	**2%**	**6,443**	**–**	4%	274	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit and total equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2010.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 27) and available-for-sale equity securities (see note 22).

The Group maintains an investment portfolio which comprises listed and unlisted equities. Investments are chosen to enhance creation of capital value for trading purpose as well as for long term potential growth. Investments are classified as "trading" or "strategic". Equity investments are subject to asset allocation limits to control appropriate risks. The portfolio size is regularly reviewed and the price movements are closely monitored by the investment committee, who will take appropriate actions when required.

As at 30 June 2011, it is estimated that an increase/decrease of 13% to 18% (2010: 8% to 12%) in the market value of the Group's global listed trading securities and available-for-sale equity securities, with all other variables held constant, would have increased/decreased the Group's profit and total equity by US$313.6 million (2010: US$227.7 million) and US$237.4 million (2010: US$57.9 million) respectively. It is assumed that none of the available-for-sale investments would be considered impaired as a result of relevant risk variables. The analysis is performed on the same basis for 2010.

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values

Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2011	The Group				The Company			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets								
Available-for-sale equity securities:								
– Listed	1,396,807	-	-	1,396,807	-	-	-	-
– Unlisted	-	-	39,531	39,531	-	-	203	203
Trading debt securities:								
– Listed	-	27,028	-	27,028	-	-	-	-
– Unlisted	-	27,532	-	27,532	-	-	-	-
Trading equity securities:								
– Listed	2,113,070	-	-	2,113,070	-	-	-	-
Trading unit trusts:								
– Unlisted	-	6,818	-	6,818	-	-	-	-
Derivative financial instruments:								
– Interest rate swaps	-	7	-	7	-	-	-	-
– Forward exchange contracts	-	2,389	-	2,389	-	-	-	-
– Equity options	-	3,477	-	3,477	-	-	-	-
– Currency options	-	1	-	1	-	-	-	-
	3,509,877	67,252	39,531	3,616,660	-	-	203	203
Liabilities								
Derivative financial instruments:								
– Interest rate swaps	-	7,663	-	7,663	-	-	-	-
– Forward exchange contracts	-	15,129	-	15,129	-	-	-	-
– Futures	-	229	-	229	-	-	-	-
– Currency options	-	220	-	220	-	-	-	-
	-	23,241	-	23,241	-	-	-	-

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values (cont'd)

Financial instruments carried at fair value (cont'd)

2010	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets								
Available-for-sale equity securities:								
– Listed	722,831	–	–	722,831	–	–	–	–
– Unlisted	–	–	43,522	43,522	–	–	203	203
Trading debt securities:								
– Listed	–	39,216	–	39,216	–	–	–	–
– Unlisted	–	36,889	–	36,889	–	–	–	–
Trading equity securities:								
– Listed	2,239,176	–	–	2,239,176	–	–	–	–
Trading unit trusts:								
– Unlisted	–	14,452	–	14,452	–	–	–	–
Derivative financial instruments:								
– Forward exchange contracts	–	5,175	–	5,175	–	–	–	–
– Equity options	–	2,817	–	2,817	–	–	–	–
– Currency options	–	131	–	131	–	–	–	–
	2,962,007	98,680	43,522	3,104,209	–	–	203	203
Liabilities								
Derivative financial instruments:								
– Interest rate swaps	–	2,356	–	2,356	–	–	–	–
– Forward exchange contracts	–	21,312	–	21,312	–	–	–	–
– Currency options	–	112	–	112	–	–	–	–
	–	23,780	–	23,780	–	–	–	–

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values (cont'd)

Financial instruments carried at fair value (cont'd)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	The Group	
	2011 US$'000	2010 US$'000
Unlisted available-for-sale equity securities:		
At 1 July	**43,522**	28,635
Net unrealised gains or losses recognised in other comprehensive income during the period	**(2,829)**	17,021
Distribution	**(1,172)**	(2,042)
Exchange adjustments	**10**	(92)
At 30 June	**39,531**	43,522

(g) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2011 and 2010.

Listed investments are stated at quoted market bid prices. Unlisted investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair value of forward exchange contracts is determined using forward exchange rates at the end of the reporting period. The fair value of derivatives financial instruments is determined based on the amount that the Group would receive or pay to terminate the contracts with the independent counterparties.

The fair value of non-derivative financial liabilities is estimated using discounted cash flow analysis on the loan principal, including the interest due on the loans, based on current incremental lending rates for similar instruments at the end of the reporting period.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate the fair value due to the relatively short-term maturity of these financial assets and liabilities.

40. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure by reviewing its equity-debt ratio and cashflow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines equity-debt ratio as the ratio of the equity attributable to shareholders of the Company to net debt. Net debt comprises total borrowings less cash and short term funds and marketable securities.

The equity-debt ratio as at 30 June 2011 is as follows:

	The Group	
	2011 US$'000	2010 US$'000
Bank loans	**3,925,738**	1,663,444
Mortgage debenture stock	**383,618**	373,033
Convertible bonds	**304,554**	257,271
Other borrowings	**1,478,603**	53,642
Total borrowings	**6,092,513**	2,347,390
Less: Cash and short term funds	**(2,003,408)**	(823,720)
Marketable securities	**(2,174,448)**	(2,329,733)
Net debt/(liquid funds)	**1,914,657**	(806,063)
Equity attributable to shareholders of the Company	**6,297,179**	5,569,187
Equity-debt ratio	**77 : 23**	100 : 0

Notes to the Financial Statements

41. COMMITMENTS

(a) Operating lease arrangements

(i) *As lessee*

As at 30 June 2011, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group	
	2011	2010
	US$'000	US$'000
Within 1 year	**137,733**	63,254
After 1 year but within 5 years	**493,445**	238,489
After 5 years	**1,575,309**	1,231,279
	2,206,487	1,533,022

The Group leases a number of properties under operating leases. The leases typically run for periods of up to thirty years, with an option to renew the lease after expiry date. Regular lease payment reviews are required by the majority of the lease agreements.

(ii) *As lessor*

As at 30 June 2011, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	The Group	
	2011	2010
	US$'000	US$'000
Within 1 year	**16,484**	8,779
After 1 year but within 5 years	**28,229**	7,905
After 5 years	**28,725**	–
	73,438	16,684

There were also commitments in respect of foreign currency contracts relating to the normal operations as at 30 June 2011.

(b) Capital commitments outstanding not provided for in the final financial report

	The Group	
	2011	2010
	US$'000	US$'000
Authorised and contracted for	**40,210**	4,152

The commitment in respect of development expenditure contracted but not provided for in the financial statements by the Group was US$792.4 million (2010: US$741.4 million); in respect of purchase of land was US$376.3 million (2010: US$nil).

42. CONTINGENT LIABILITIES

(a) GuocoLeisure

GuocoLeisure has given a guarantee to the buyer of various hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of the businesses will not be less than US$44.4 million (2010: US$41.6 million) per calendar year thereafter until 4 April 2012. The maximum liability for any one year under the guarantee is US$44.4 million (2010: US$41.6 million). Having considered the likelihood of crystallising this contingent liability, management has determined that no provision was required as at 30 June 2011.

(b) GuocoLand

In November 2007, GuocoLand (China) Limited ("GLC"), a wholly owned subsidiary of GuocoLand, completed its acquisition of a 100% interest in Hainan Jing Hao Asset Limited ("Hainan Co"), which in turn held a 90% stake in Beijing Cheng Jian Dong Hua Real Estate Development Company Limited ("DZM Project Co"), the company undertaking the Dongzhimen project in Beijing ("DZM Project"). An aggregate of RMB3.22 billion (approximately US$0.50 billion) of the purchase consideration of RMB5.8 billion (approximately US$0.90 billion) had been paid to the vendors of the DZM Project, Beijing Beida Jade Bird Company Limited ("BBJB") and its related corporations (collectively, the "DZM Vendors"). The balance RMB2.58 billion (approximately US$0.40 billion) had been withheld, pending resolution of disputes described below and, in respect of a loan of RMB2 billion (approximately US$0.31 billion) made by Agricultural Bank of China ("ABC") to Beijing Dong Hua Guang Chang Zhi Ye Co Ltd ("Zhiye"), a related corporation of BBJB, and guaranteed by BBJB, DZM Project Co and Hainan Co. The loan of RMB2 billion (approximately US$0.31 billion) with interest ("ABC Loan") had, in April 2011, been acquired from ABC by GuoSon Investment Company Limited ("GICL"), a wholly owned subsidiary of GuocoLand, together with all rights attaching thereto including enforcement rights against the borrower and guarantors, for a sum of RMB3.048 billion (approximately US$0.47 billion). GICL's acquisition of the ABC Loan had been sanctioned by The Beijing Second Intermediate People's Court. PRC lawyers have advised that GLC has a good case to treat the sum paid by GICL to ABC as a set-off against any outstanding balance of the purchase consideration for the DZM Project.

Construction work on the DZM Project is in progress. Structural works have been completed for the residential, hotel, retail components, and two office blocks. The south retail mall linked to the Dongzhimen subway station and the direct express rail link to Beijing Capital International Airport, is expected to be operational in this calendar year. The transportation hub component of the DZM Project was completed by GLC and handed over to the Beijing government in July 2008, before the Beijing 2008 Olympic Games.

(i) Alleged claims by Shenzhen Development Bank ("SDB")

SDB had claimed that a loan of RMB1.5 billion (approximately US$0.23 billion) was granted by SDB to certain borrowers (the "Alleged Loans"). Amongst the security allegedly obtained by SDB is a guarantee by Zhiye. SDB filed an earlier suit against Zhiye and DZM Project Co in The People's High Court of Beijing ("Beijing Court") but this was dismissed in December 2007. An appeal has been filed by SDB against Zhiye and DZM Project Co in respect of this dismissal ("SDB appeal").

SDB has also initiated another suit directly against DZM Project Co in connection with the recovery of its loan and interest under the Zhiye guarantee ("second SDB suit"). It made an interim application to the Beijing Court to restrict dealing in DZM Project Co's assets in the aggregate sum of its claims. GLC's PRC lawyers have advised that the interim application by SDB granted by the Beijing Court only restricts dealing in the assets of DZM Project Co pending final resolution of the SDB actions. The interim application will be expunged in the event the PRC courts dismiss the SDB actions.

42. CONTINGENT LIABILITIES (cont'd)

(b) GuocoLand (cont'd)

(i) Alleged claims by Shenzhen Development Bank ("SDB") (cont'd)

Based on the information available to GLC, DZM Project Co is neither a guarantor nor borrower of the Alleged Loans granted by SDB to the third party borrowers which were unrelated to DZM Project Co. GLC has also been advised by its PRC lawyers that both the SDB appeal and second SDB suit have no merits.

Before the hearing of the SDB appeal and the second SDB suit, SDB and BBJB purportedly entered into a settlement agreement in May 2008 for DZM Project Co to pay, inter alia, RMB1 billion (approximately US$0.15 billion) of the Alleged Loans to SDB. In November 2008, this settlement agreement was purportedly mediated through the Supreme People's Court of The People's Republic of China ("Supreme Court") and was stated to have effect as a judgement upon signing by the relevant parties ("Alleged Civil Mediation Agreement"). GLC did not have conduct of the aforesaid proceedings and is not aware of whether the Alleged Civil Mediation Agreement has been signed by the parties, and has been advised by its PRC lawyers that the Alleged Civil Mediation Agreement is void and unenforceable. GLC has submitted an application for the rehearing of the Alleged Civil Mediation Agreement, which is pending before the Supreme Court.

(ii) Hainan Co and DZM Project Co

In early 2008, GLC had received a notice issued by the Industrial and Commercial Administrative Bureau of Hainan Province purporting to revert registration of the shares in Hainan Co to its original shareholders, who are two of the DZM Vendors, allegedly on the ground, inter alia, that GLC had not paid the requisite consideration for Hainan Co.

GLC has challenged the basis for this notice as the full consideration for the transfer of Hainan Co to GLC has been paid to the DZM Vendors. GLC has taken legal advice on these matters and would strongly defend and protect its 90% interest in the DZM Project.

In March 2008, GLC filed a suit against the Industrial and Commercial Administration Bureau of Hainan Province on its reversion of the registration in Hainan Co to the original shareholders. In October 2008, GLC was notified that an administrative judgement by the Hainan Haikou Intermediate People's Court has ruled against GLC. GLC has since appealed to the Hainan High Court against such judgement. The case has been heard by the Hainan High Court and is pending judgement.

GLC group has also sought to protect its 90% interest in the DZM Project and is pursuing separate legal actions in Beijing which are now before the Beijing Intermediate Court, seeking, inter alia, for an order as rightful owner that the 90% interest in DZM Project Co be transferred to GLC or its nominee as, amongst other arguments, the development costs of the DZM Project have been funded by the GuocoLand group. Pending judgement of the aforesaid legal actions, the Beijing Intermediate Court has granted GLC group's application for an asset preservation order in respect of the 90% shareholding in DZM Project Co held by Hainan Co.

42. CONTINGENT LIABILITIES (cont'd)

(c) Rank

(i) Rank liabilities relating to Fiscal Neutrality Case

Since 2008, Rank has received several repayments from HM Revenue & Customs ("HMRC") following a series of VAT claims Rank had submitted. The basis of these claims is that UK VAT legislation breached the European Union's principle of fiscal neutrality. There are 2 separate breaches that the court has been asked to consider, one concerns income earned from interval bingo ('the bingo case'), the other concerns amusement machine income ('the slots case'). In the event that Rank loses either case, the amounts received pertaining to that case would have to be repaid to HMRC, plus interest. The First-tier Tribunal and Upper Tribunal (or High Court) have found in Rank's favour. HMRC have appealed these decisions and as a result the case was referred to the European Court of Justice ('ECJ'). The ECJ heard the Rank case on 30 June 2011, and it is expected that a decision will be released before the end of 2011.

The VAT recovered to date, along with the particular nature of each claim, is detailed in the table below.

Description of claim	Date of receipt	VAT received £'000	Interest received £'000	Total £'000
Interval bingo, claim for January 2003 to June 2008	November 2008	59,100	6,800	65,900
Interval bingo, amount accounted for on VAT returns submitted for the periods from July 2008 to April 2009		7,400	–	7,400
Main Stage bingo, claim for 2004 to 2009	May 2010	16,100	1,200	17,300
Amusement machine, claim for 2002 to 2005	May 2010	26,400	4,400	30,800
Main Stage bingo, claim for 2003 to 2004	February 2011	7,100	1,400	8,500
Interval and Main Stage bingo, claim for 1973 to 1996	March 2011	74,800	79,500	154,300
Total recovered to date		190,900	93,300	284,200
Deductions from amount due in the event that Rank loses (including contingent adviser fees and bingo duty offsets)				(10,000)
Total due if Rank loses (excluding interest due to HMRC)				274,200

42. CONTINGENT LIABILITIES (cont'd)

(c) Rank (cont'd)

(i) Rank liabilities relating to Fiscal Neutrality Case (cont'd)

In September 2010, Rank entered into an agreement with a third party that would result in the receipt of £40.5 million in the event that the Court finds in favour of HMRC on the bingo case. This agreement was funded by a payment of £4.6 million which was recognised as an exceptional cost in 2010. Thus, should Rank lose both the bingo case and the slots case, it would be required to pay £233.7 million plus interest. The interest charged by HMRC is calculated on a simple interest basis and by reference to the VAT received.

(ii) Grosvenor liability relating to irrecoverable VAT

Rank has been in negotiation with HMRC for several years on the means by which it calculates the amount of irrecoverable VAT in Grosvenor Casinos. From July 2007 until June 2010 Rank accounted for irrecoverable VAT on the basis that HMRC was correct. As a result, the amount of irrecoverable VAT suffered by Grosvenor Casinos exceeded the amount that Rank believed was due. The difference in Rank's position as against HMRC's position for the period under negotiation (July 2007 to June 2011) amounts to an estimated £7 million.

In 2010, the point of dispute between Rank and HMRC was the subject of litigation by another, similar, taxpayer. In that case, the First-tier Tribunal and the Upper Tribunal ruled that HMRC's position was incorrect. While HMRC has appealed, precedent case law indicates that Rank's position is correct and on that basis the irrecoverable VAT charge has been adjusted accordingly. However, it remains possible that this decision will be reversed on appeal. In that event Rank would have to pay the VAT in dispute (see above) plus interest.

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

43. MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

Transactions with companies in the Hong Leong Company (Malaysia) Berhad Group ("HLCM"):

During the year, the Group entered into a number of transactions in the normal course of business with companies in the HLCM group including deposits 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.

43. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(a) Banking transactions (cont'd)

Information relating to interest income from these transactions during the year and balance outstanding at the end of the reporting period is set out below:

(i) *Income for the year ended 30 June*

	The Group	
	2011	2010
	US$'000	US$'000
Interest income	**178**	269

(ii) *Balance as at 30 June*

	The Group	
	2011	2010
	US$'000	US$'000
Cash and short term funds	**18,998**	27,201

(b) Management fee

On 25 June 2008, the Company entered into a master services agreement with GOMC Limited ("GOMC") and GuoLine Group Management Co. Limited ("GGMC"), subsidiaries of HLCM, for provision by GOMC or GGMC of management services to the Company and/or its subsidiaries (excluding those subsidiaries which are from time to time incorporated, resident or having principal place of business in Malaysia (the "Malaysian Subsidiaries")), for a term of 3 years from 1 July 2008 to 30 June 2011. Total amount paid or provided for in respect of management fees to GOMC and GGMC for the year ended 30 June 2011 amounted to US$3,288,000 (2010: US$3,269,000) and US$9,246,000 (2010: US$8,337,000) respectively.

On 25 June 2008, the Company entered into a master services agreement with HL Management Co Sdn Bhd ("HLMC"), a subsidiary of HLCM, for the provision of management services to the Malaysian Subsidiaries of the Company for a term of 3 years from 1 July 2008 to 30 June 2011. Total amount paid or provided for in respect of management fees to HLMC for the year ended 30 June 2011 amounted to US$403,000 (2010: US$565,000).

43. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(c) Key management personnel information

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	The Group	
	2011	2010
	US$'000	US$'000
Short-term employee benefits	**4,722**	3,165

Total remuneration is included in "staff costs" (see note 7(b)).

(d) Sale of property units

During the financial year ended 30 June 2011, GuocoLand via its wholly owned subsidiary sold a unit in a property project in Singapore to a director of the Company's subsidiary for a sale consideration of S$3,398,000 (approximately US$2,643,000) in the ordinary course of its business.

In the financial year ended 30 June 2010, GuocoLand via its wholly owned subsidiaries sold certain units in property projects in Singapore to certain directors of the Company and its subsidiaries and relatives of these directors, for a total sale consideration of S$74,541,000 (approximately US$53,048,000) in the ordinary course of its business.

44. PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent company at 30 June 2011 to be Guoline Overseas Limited, which is incorporated in Bermuda and the ultimate holding company to be Hong Leong Company (Malaysia) Berhad, which is incorporated in Malaysia. These entities do not produce financial statements available for public use.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ended 30 June 2011 and which have not been adopted in these financial statements:

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for HKFRS 9, Financial Instruments, which may have an impact on the Group's results and financial position arising from changes in the Group's classification and measurement of financial instruments.

	Effective for accounting periods beginning on or after
HKAS 24 (Revised), Related Party Disclosures	1 January 2011
Amendments to HK(IFRIC) – INT 14, HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement	1 January 2011
Improvements to HKFRSs 2010	1 January 2011
Amendments to HKFRS 7, Financial Instruments: Disclosures – Transfer of Financial Assets	1 July 2011
Amendments to HKAS 12, Income Taxes	1 January 2012
HKFRS 9, Financial Instruments	1 January 2013
HKFRS 10, Consolidated Financial Statements	1 January 2013
HKFRS 11, Joint Arrangements	1 January 2013
HKFRS 12, Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13, Fair Value Measurement	1 January 2013
HKAS 27 (2011), Separate Financial Statements	1 January 2013
HKAS 28 (2011), Investments in Associates and Joint Ventures	1 January 2013
HKAS 19 (2011), Employee Benefits	1 January 2013

Major Development Properties and **Properties Held for Sale of the Subsidiaries**

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
Singapore						
Goodwood Residence situated at Bukit Timah Road	Residential	98% of piling works completed. Substructure, superstructure and architectural works in progress	12/2012	24,845	39,752	65
Sophia Residence situated at 32 Adis Road	Residential	Substructure works in progress	12/2012	15,435	32,413	65
Elliot at the East Coast situated at Elliot Walk	Residential	Superstructure and architectural works in progress	6/2012	11,882	16,634	65
The Waterline situated at Yio Chu Kang Road	Residential	Substructure and superstructure works in progress	1/2013	8,072	11,300	65
Leedon Residence situated at Leedon Heights	Residential	Planning	*	48,525	77,640	65
Site situated at Peak Seah Street/ Choon Guan Street	Residential/ Commercial#/ Office#/Hotel^	Planning	*	15,023	157,738	52
Malaysia						
Emerald 1B situated at Mukim of Rawang, Districts of Gombak and Ulu Selangor, Selangor Darul Ehsan	Residential	Planning	*	35,587	35,587	44
Changkat Kia Peng, situated at Lot 241 Seksyen 63, Bandar, Kuala Lumpur	Residential	Planning	*	3,030	3,030	44

Major Development Properties and Properties Held for Sale of the Subsidiaries

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
Malaysia (cont'd)						
Commerce One, Bedford Business Park situated at Old Klang Road, Mukim of Petaling Jaya, Kuala Lumpur	Commercial	Phase 1: TOP obtained in 4/2010	N/A	4,634	40,222	44
		Phase 2: Earthworks and piling works completed	6/2014			
Bukit Rahman Putra situated at Mukim of Sg. Buloh, Selangor Darul Ehsan	Residential	Phases 6B, 6C & 6D: Main building works in progress	12/2011	102,746	71,310	44
		Phases 5B, 8D, CL5 & CL11: Planning	*	17,442	17,442	44
Site situated at Lot 3059, Mukim of Hulu Kelang, District of Gombak, Selangor Darul Ehsan	Residential	Planning	*	30,351	30,351	44
Damansara CITY situated at Damansara Town Centre, Kuala Lumpur	Commercial/ Residential	Earthworks and piling works completed	*	34,438	209,597	44
Site situated at Geran No. 20438, Lot 36, Bandar Batu Ferringhi, Pulau Pinang	Residential	Planning	*	18,538	18,538	44
Amandarii situated at Seksyen 9, Tempat Sungai Kantan, Daerah Hulu Langat, Selangor Darul Ehsan	Residential	Various stages of completion	7/2013	35,369	16,591	44

Major Development Properties and Properties Held for Sale of the Subsidiaries

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
Malaysia (cont'd)						
The Cirrus situated within Taman Mutiara Barat, Off Jalan Cheras, Kuala Lumpur	Residential	Phase 1: TOP obtained in 8/2010	N/A	53,179	45,976	44
		Phase 2: Planning	*			
OVAL Kuala Lumpur situated at Jalan Binjai, Kuala Lumpur	Residential	TOP obtained in 9/2009	N/A	N/A	54,474	44
The People's Republic of China						
Hillview Regency situated in Xuanwu District, Nanjing	Residential/ Commercial	Planning	*	296,002	504,420	65
Ascot Park situated in Qixia District, Nanjing	Residential	Phase 1A: TOP obtained in 12/2009	N/A	89,709	232,505	62
		Phase 1B: TOP obtained in 12/2010	N/A			
	Commercial	Planning	*			
Guoson Centre Changfeng situated in Putuo District, Shanghai	SOHO	Phase 1: TOP obtained in 11/2009	N/A	143,845	492,272	65
	Commercial#	TOP obtained in 7/2010	N/A			
	Office	TOP obtained in 9/2010	N/A			
	Hotel^	TOP obtained in 6/2010	N/A			
	Serviced Apartment	Construction works in progress	10/2011			
	Commercial/ Office	Phase 2: Construction works in progress	12/2013			

Major Development Properties and Properties Held for Sale of the Subsidiaries

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
The People's Republic of China (cont'd)						
Seasons Park situated in Nankai District, Tianjin	Residential	Construction works in progress	6/2012 to 12/2012	25,866	209,661	65
Guoson Centre Dongzhimen situated in Dong Cheng District, Beijing	Residential/ Commercial/ Office/Hotel	Construction works in progress	12/2012	106,000	595,812	59
Vietnam						
The Canary situated in Thuan An District, Binh Duong Province	Residential/ Commercial	Phase 1: TOP obtained in 12/2009	N/A	175,533	285,000	65
		Phase 2: Construction works in progress	5/2012			
		Phases 3 & 4: Planning	*			

* Not applicable as these developments have not commenced construction or have not been launched yet.

The carrying value is included in Investment Properties.

^ The carrying value is included in Property, Plant and Equipment.

N/A: Not applicable.

Major Properties **of the Subsidiaries Held for Investment**

Location	Existing Use	Tenure of Land
Singapore		
Tung Centre 20 Collyer Quay Singapore 049319	Office building	999 years lease with effect from 5 November 1862
Lots 99951A, 99952K and 99953N Part of 61 Robinson Road Singapore 068893	Reversionary interests in freehold land	(Note)
Site situated at Peak Seah Street/ Choon Guan Street Singapore	Land under development	99 years lease with effect from 21 February 2011

Note: The Group disposed its interests in a 98-year lease (with effect from 19 March 1998) in the freehold land in July 2006 to a third party. Accordingly, the Group recognised its reversionary interests in the freehold land.

Location	Existing Use	Tenure of Land
Malaysia		
Bangunan Hong Leong No. 117 Jalan Tun H.S. Lee 50000 Kuala Lumpur	Office building	Freehold
Menara Pandan Persiaran MPAJ Jalan Pandan Utama Pandan Indah 55100 Kuala Lumpur	Office building	99 years lease with effect from 25 March 2002
Damansara CITY Lot PT 5787 Jalan Damanlela Bukit Damansara Kuala Lumpur	Land under development	Freehold
The People's Republic of China		
Shanghai Guoson Centre No. 452 Daduhe Road Shanghai	Office building	50 years lease with effect from 11 December 2005
Hong Kong		
The Center 15th Floor 99 Queen's Road Central Hong Kong	Office building	From 24 November 1995 to 30 June 2047