2020

ANNUAL
REPORT

國浩集團有限公司
GuocoGroup Limited

A Member of the Hong Leong Group

(Stock Code: 53)

CONTENTS

*Please visit our website at **www.guoco.com** to view the online version of this Annual Report.*

CORPORATE INFORMATION

(As at 15 September 2020)

BOARD OF DIRECTORS

Executive Chairman
KWEK Leng Hai

President & CEO
TANG Hong Cheong

Non-executive Director
KWEK Leng San

Independent Non-executive Directors
Roderic N. A. SAGE
David Michael NORMAN
Lester G. HUANG, *SBS, JP*

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE
Roderic N. A. SAGE – *Chairman*
David Michael NORMAN
Lester G. HUANG, *SBS, JP*

BOARD REMUNERATION COMMITTEE
Roderic N. A. SAGE – *Chairman*
KWEK Leng Hai
Lester G. HUANG, *SBS, JP*

BOARD NOMINATION COMMITTEE
KWEK Leng Hai – *Chairman*
Roderic N. A. SAGE
David Michael NORMAN

GROUP FINANCIAL CONTROLLER
MAK Chi Ming, Richard

COMPANY SECRETARY
LO Sze Man, Stella

PLACE OF INCORPORATION
Bermuda

REGISTERED OFFICE
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

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

Telephone: (852) 2283 8833
Fax: (852) 2285 3233
Website: www.guoco.com

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

AUDITOR
KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

FINANCIAL CALENDAR

Preliminary announcement of interim results	24 February 2020 (Monday)
Payment date of interim dividend of HK$1.00 per share	19 March 2020 (Thursday)
Preliminary announcement of annual results	15 September 2020 (Tuesday)
Closure of register of members for annual general meeting	3 November 2020 (Tuesday) to 6 November 2020 (Friday)
Annual general meeting	6 November 2020 (Friday)
Closure of register of members and record date for proposed final dividend Note	13 November 2020 (Friday)
Payment date of proposed final dividend of HK$1.50 per share Note	25 November 2020 (Wednesday)

Note: The declaration of the final dividend is subject to shareholders' approval at the annual general meeting.

GROUP ORGANISATION CHART

(As at 15 September 2020)

國浩集團有限公司
GuocoGroup Limited (1)

PRINCIPAL INVESTMENT

100%
GuocoEquity Assets Limited

PROPERTY DEVELOPMENT & INVESTMENT

66.8%
GuocoLand Limited(2)

- 100% GuocoLand (Singapore) Pte. Ltd.
- 100% GuocoLand (China) Limited
- 65.0% GuocoLand (Malaysia) Berhad(3)
- 100% GuocoLand Vietnam (S) Pte. Ltd.

HOSPITALITY & LEISURE BUSINESS

70.0%
GL Limited(2)

- 100% GLH Hotels Limited
- 100% Molokai Properties Limited
- 55.1% Bass Strait Oil & Gas Royalty

52.0%
The Rank Group Plc(4)

FINANCIAL SERVICES

25.4%
Hong Leong Financial Group Berhad(3)

64.4% Hong Leong Bank Berhad(3)

- 100% Hong Leong Islamic Bank Berhad
- 100% Hong Leong Bank Vietnam Limited
- 100% Hong Leong Bank (Cambodia) Plc.
- 18.0% Bank of Chengdu Co., Ltd.(5)

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
- 100% HL Assurance Pte. Ltd.

81.3% Hong Leong Capital Berhad(3)

- 100% Hong Leong Investment Bank Berhad
- 100% Hong Leong Asset Management Bhd

OTHERS

100%
Manuka Health New Zealand Limited

(1) Listed in Hong Kong (2) Listed in Singapore (3) Listed in Malaysia (4) Listed in London (5) Listed in Shanghai

Websites:
- Guoco Group Limited (www.guoco.com)
- GuocoLand Limited (www.guocoland.com.sg)
- GuocoLand (Malaysia) Berhad (www.guocoland.com.my)
- GL Limited (www.gl-grp.com)
- GLH Hotels Limited (www.glhhotels.com)
- The Rank Group Plc (www.rank.com)
- Hong Leong Financial Group Berhad (www.hlfg.com.my)
- Hong Leong Bank Berhad (www.hlb.com.my)
- Hong Leong Islamic Bank Berhad (www.hlisb.com.my)
- Hong Leong Bank Vietnam Limited (www.hlbank.com.vn)
- Hong Leong Bank (Cambodia) Plc. (www.hlb.com.kh)
- Bank of Chengdu Co., Ltd (www.bocd.com.cn)
- Hong Leong Assurance Berhad (www.hla.com.my)
- Hong Leong MSIG Takaful Berhad (www.hlmtakaful.com.my)
- MSIG Insurance (Malaysia) Bhd (www.msig.com.my)
- Hong Leong Insurance (Asia) Limited (www.hl-insurance.com)
- HL Assurance Pte Ltd. (www.hlas.com.sg)
- Hong Leong Capital Berhad (www.hlcap.com.my)
- Manuka Health New Zealand Limited (www.manukahealth.co.nz)

GROUP PROFILE

Guoco Group Limited ("Guoco") (Stock Code: 53), listed on the Main Board of The Stock Exchange of Hong Kong Limited, is an investment holding and 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

The Group's Principal Investment activities are committed to its mission to generate attractive risk weighted returns and create capital value to the Group. The investment team comprises well-trained and experienced investment professionals covering equity and direct investments as well as treasury operations. It is supported by up-to-date information systems and technological infrastructure as well as solid risk management processes and control mechanisms.

Our investment team focuses on long term cycle trends and related investment opportunities and actively looks for under-valued counters that offer attractive recovery potential.

Our treasury team 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.

Guoco's Board Investment Committee, chaired by Mr. KWEK Leng Hai (Guoco's Executive Chairman), has the overall responsibility to oversee the principal investment activities of the Group and guide the process governing the Group's core investment and treasury operations.

PROPERTY DEVELOPMENT AND INVESTMENT

GuocoLand Limited ("GuocoLand"), a public company listed on the Main Board of the Singapore Exchange (the "SGX") since 1978, is a premier property company with operations in the geographical markets of Singapore, China, Malaysia and Vietnam. In 2017, GuocoLand marked its expansion beyond Asia into the new markets of the United Kingdom and Australia through a strategic partnership with Eco World Development Group Berhad in Eco World International Berhad.

Headquartered in Singapore, the principal business activities of GuocoLand and its subsidiaries are property development, property investment, hotel operations and property management. It is focused on achieving scalability, sustainability and growth in its core markets. GuocoLand's portfolio comprises residential, hospitality, commercial, retail and integrated developments spanning across the region.

In Singapore, GuocoLand has successfully developed 35 residential projects yielding approximately 11,000 apartments and homes. Guoco Tower, its flagship integrated mixed-use development, integrates premium Grade A offices, a dynamic lifestyle and F&B retail space, luxurious apartments at Wallich Residence, the five-star luxury business hotel Sofitel Singapore City Centre and a landscaped urban park.

In China, GuocoLand has developed a sizeable portfolio of properties spanning across the major cities of Beijing, Shanghai, Nanjing, Tianjin and is currently undertaking large scale developments in Shanghai and Chongqing. GuocoLand's 65% owned subsidiary, GuocoLand (Malaysia) Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), is an established property developer of community-centric residential townships and innovative commercial and integrated development projects in Malaysia.

HOSPITALITY AND LEISURE BUSINESS

GL Limited ("GL"), a public company listed on the Main Board of the SGX. Headquartered in Singapore, GL's core hospitality business is operated out of GLH Hotels Limited ("GLH") in the United Kingdom.

GLH is the largest owner-operator hotel company in London. 13 of its hotels are in top London locations including the iconic hotels — The Grosvenor Hotel, The Royal Horseguards Hotel and The Tower Hotel. It operates its hotels under four owned brands — Amba Hotels, Guoman Hotels, Thistle Hotels and Thistle Express Hotels. It also operates Hard Rock Hotel London under a third party brand.

In addition to its hospitality business, GL owns real estate in Hawaii and rights to royalties from the production of oil and natural gas in the Bass Strait, Australia.

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

Rank's business comprises established gaming based entertainment operations in Great Britain, Spain and Belgium. These include: Mecca, a leading bingo operator in Great Britain with 77 clubs; Grosvenor Casinos, the leading casino operator with 52 casinos in Great Britain along with 1 casino in Belgium; Enracha, an operator of 9 premium bingo clubs in Spain; branded UK-facing websites and mobile offerings including meccabingo.com and grosvenorcasinos.com and branded Spanish-facing websites and mobile offerings enracha.es and YoBingo.es.

FINANCIAL SERVICES

Hong Leong Financial Group Berhad ("HLFG"), an associated company of the Group, is an integrated financial services group listed on the Main Market of Bursa Malaysia with over 10,000 employees.

HLFG's commercial banking subsidiary is Hong Leong Bank Berhad ("HLB"), which is also listed on the Main Market of Bursa Malaysia. HLB Group currently has a distribution network over 260 branches in Malaysia, Singapore, Hong Kong and wholly owned subsidiaries in Vietnam and Cambodia, providing comprehensive services in personal financial services, treasury, corporate and commercial banking. HLB also has a presence in China via an interest of 17.99% in Bank of Chengdu Co., Ltd., which is listed on the Shanghai Stock Exchange.

Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of HLB, offers its customers a comprehensive suite of Shariah compliant products and services in areas such as personal financial services-i, business and corporate banking-i and global markets-i.

HLFG's insurance interests are made up of a 70% interest in Hong Leong Assurance Berhad which provides life insurance services in Malaysia, a 30% interest in MSIG Insurance (Malaysia) Bhd which provides general insurance services in Malaysia, a 100% interest in Hong Leong Insurance (Asia) Limited which provides general insurance business in Hong Kong, a 65% interest in Hong Leong MSIG Takaful Berhad focusing on Family Takaful business and a 100% interest in HL Assurance Pte. Ltd. which provides general insurance business in Singapore.

HLFG's other financial services interests are held through Hong Leong Capital Berhad ("HLCB") which is listed on the Main Market of Bursa Malaysia. HLCB has two main subsidiaries namely, Hong Leong Investment Bank Berhad ("HLIB") and Hong Leong Asset Management Bhd ("HLAM"). HLIB provides investment banking, stockbroking business, futures broking and related financial services, while HLAM is involved in unit trust management, fund management and sale of unit trusts.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. KWEK Leng Hai, aged 67, the Executive Chairman of the Board of Directors (the "Board") of Guoco Group Limited ("Guoco"), the Chairman of the Board Nomination Committee ("BNC") and a member of the Board Remuneration Committee ("BRC") of Guoco since 1 September 2016. He was appointed to the Board in 1990 and assumed the position of the President, CEO of Guoco from 1995 up to 1 September 2016. He is also a director of Guoco's key listed subsidiaries and associated companies including as the Non-executive Chairman of GL Limited ("GL") and a Director of GuocoLand Limited ("GuocoLand"), Hong Leong Bank Berhad and Bank of Chengdu Co., Ltd. He is a Director and shareholder of Hong Leong Company (Malaysia) Berhad ("HLCM", and together with its subsidiaries, the "Hong Leong Group"), the ultimate holding company of Guoco. He also serves as the Chairman of Lam Soon (Hong Kong) Limited ("LSHK"). He qualified as a chartered accountant of the Institute of Chartered Accountants in England and Wales and has extensive experience in various business sectors, including but not limited to finance, investment, manufacturing and real estate. He is a brother of Mr. KWEK Leng San.

Mr. TANG Hong Cheong, aged 65, a Director and the President & CEO of Guoco since 1 September 2016. He is also a Group Managing Director of GL and a Director of GuocoLand, The Rank Group Plc and LSHK. He held various senior management positions in different companies within the Hong Leong Group. Prior to joining the Guoco Group, he was the President/ Finance Director of HL Management Co Sdn Bhd. Mr. Tang is a member of the Malaysian Institute of Accountants and has over 40 years' in-depth experience in the investment, manufacturing, financial services, property development, gaming and hospitality industries. In addition, he possesses broad-based and C-suite expertise in finance, treasury, risk management, operations and strategic planning.

Mr. KWEK Leng San, aged 65, a Non-executive Director of Guoco since 1990. He is the Chairman of Malaysian Pacific Industries Berhad, Hong Leong Industries Berhad, Hume Industries Berhad and Southern Steel Berhad. He is a Director and shareholder of HLCM. He graduated from University of London with a Bachelor of Science (Engineering) and also holds a Master of Science (Finance) from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing. He is a brother of Mr. KWEK Leng Hai.

Mr. Roderic N. A. SAGE, aged 67, an Independent Non-executive Director of Guoco since October 2009 and the Chairman of both the Board Audit and Risk Management Committee ("BARMC") and BRC as well as a member of the BNC of Guoco. He was 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 for over 20 years until 2003, as a senior partner and member of the management board. 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-border and onshore and offshore transactions and structures.

Mr. Sage was a Convenor of the Financial Reporting Review Panel of the Financial Reporting Council 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. Until May 2018, he was a director of the Alpha Tiger Fund (now known as "Alpha Real Trust") listed on London's Alternative Investment Market.

Mr. David Michael NORMAN, aged 64, an Independent Non-executive Director since July 2013 and a member of both the BARMC and the BNC of Guoco. He was appointed as the Chairman of the Share Registrars' Disciplinary Committee of the Securities and Futures Commission of Hong Kong ("SFC") for a term from 1 April 2019 to 31 March 2021. He was also reappointed as a member of both the Takeovers Appeal Committee and Takeovers and Mergers Panel of the SFC for a term from 1 April 2020 to 31 March 2022. Mr. Norman studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom and Hong Kong in 1981 and 1984 respectively. He was a partner of an international law firm until he resigned in 2010. Mr. Norman is also a non-executive director of South China Holdings Company Limited, listed in Hong Kong. Mr. Norman has extensive experience in mergers and acquisitions and corporate finance.

Mr. Lester G. HUANG, *SBS, JP*, aged 60, an Independent Non-executive Director of Guoco since November 2019. He is a member of both the BARMC and the BRC of Guoco.

Mr. Huang is a practicing solicitor and notary public, and is currently the Managing Partner and Co-Chairman of P. C. Woo & Co., a solicitor firm in Hong Kong. Mr. Huang became a qualified solicitor of Hong Kong in March 1985 and has over 30 years of post-qualification experience. Mr. Huang graduated with a Bachelor of Laws degree from the University of Hong Kong in 1982 and a Master of Education degree from the Chinese University of Hong Kong in 2006.

In 2002, the Government of the Hong Kong Special Administrative Region ("The Government of HKSAR") appointed Mr. Huang as a Justice of the Peace. In July 2018, The Government of HKSAR awarded him a Silver Bauhinia Star for his public services.

Mr. Huang is a non-executive director of the SFC. He also chairs the Investor and Financial Education Council (a subsidiary of the SFC). Mr. Huang's public roles also include serving as Chairman of the Council of City University of Hong Kong, Chairman of the Social Welfare Advisory Committee of the Labour and Welfare Bureau, Chairman of the Standing Committee on Language Education and Research and an ex-officio member of the Education Commission. He has also been appointed a director of Faithful Servant Charitable Foundation Limited since August 2019 and a Steward of The Hong Kong Jockey Club since April 2020.

Previously, Mr. Huang was the President of the Law Society of Hong Kong from 2007 to 2009. He was also a member of the Hospital Authority, the Hong Kong Monetary Authority's Exchange Fund Advisory Committee and a non-executive director of the Urban Renewal Authority. He also served as a member of the Standing Committee on Judicial Salaries and Conditions of Service and other public positions.

Mr. Huang is an independent non-executive director of LSHK (a member of Hong Leong Group and listed in Hong Kong) and Kidsland International Holdings Limited (listed in Hong Kong).

FINANCIAL HIGHLIGHTS

	2020 HK$'M	2019 HK$'M	(Decrease)
Turnover	16,745	19,726	(15%)
Revenue	14,641	17,475	(16%)
(Loss)/profit from operations	(1,145)	2,368	N/A
(Loss)/profit attributable to equity shareholders of the Company	(873)	3,369	N/A
	HK$	HK$	
(Loss)/earnings per share	(2.68)	10.36	N/A
Dividend per share:			
Interim	1.00	1.00	
Proposed final	1.50	3.00	
Total	2.50	4.00	(38%)
Equity per share attributable to equity shareholders of the Company	170.55	188.81	(10%)

TEN-YEAR SUMMARY

US$'000

Years	Total assets	Total liabilities	Total equity attributable to equity shareholders of the Company	Profit/(loss) for the year attributable to equity shareholders of the Company	Dividend per ordinary share US$
2011	15,014,970	7,275,121	6,297,179	534,459	0.41
2012	13,838,778	6,777,309	5,698,683	(166,810)	0.28
2013	15,992,118	7,936,590	6,517,923	811,725	0.84 [1]
2014	16,610,521	7,442,421	7,256,604	742,151	0.52
2015	16,511,383	7,053,466	7,538,536	596,590	0.52
2016	14,709,370	5,628,729	7,239,547	397,967	0.52
2017	16,483,381	6,577,487	7,934,057	784,639	0.51
2018	16,809,305	6,022,532	8,344,386	624,297	0.51
2019	16,000,870	5,615,500	7,572,112	431,501	0.51
2020	16,423,552	6,873,157	7,241,321	(112,607)	0.32

HK$'000

Years	Total assets	Total liabilities	Total equity attributable to equity shareholders of the Company	Profit/(loss) for the year attributable to equity shareholders of the Company	Dividend per ordinary share HK$
2011	116,853,254	56,618,266	49,007,481	4,159,400	3.20
2012	107,331,487	52,563,792	44,198,131	(1,293,754)	2.20
2013	124,047,661	61,562,542	50,558,225	6,296,389	6.51 [1]
2014	128,743,997	57,684,345	56,244,124	5,752,227	4.00
2015	127,997,067	54,678,822	58,439,108	4,624,794	4.00
2016	114,132,208	43,674,152	56,172,731	3,087,886	4.00
2017	128,657,732	51,339,258	61,927,695	6,124,343	4.00
2018	131,902,616	47,258,808	65,478,397	4,898,859	4.00
2019	124,917,992	43,839,928	59,115,100	3,368,708	4.00
2020	127,284,169	53,267,653	56,120,962	(872,716)	2.50

Note:

1. Including a special interim dividend in specie declared on 3 July 2013 (approximately HK$5.01 per ordinary share).

CHAIRMAN'S STATEMENT

"In these uncertain times, the Group will stay vigilant in managing key business concerns such as liquidity, capital, credit, market, and operational risks and will continue to maintain a prudent and sustainable approach to business."

On behalf of the board of directors I hereby present our Annual Report of the Company and its subsidiaries (the "Group") for the financial year ended 30 June 2020.

OVERVIEW

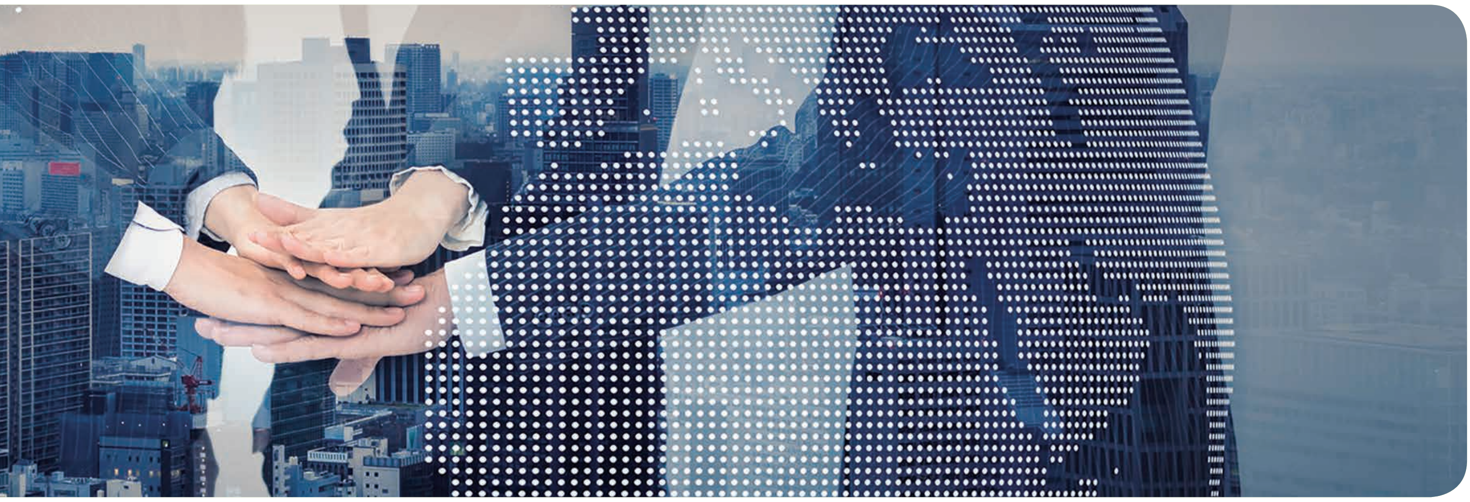
The financial year ended 30 June 2020 was exceptionally challenging for the Group as the COVID-19 pandemic reached the far corners of the world. Major markets experienced steep price declines in equities and exchange rate volatility, especially in the final four months of the year. While huge stimulus packages launched by governments fuelled market rebounds, business disruptions, travel restrictions and imposition of social distancing measures and lockdowns brought economic activities to a near halt in many places with resultant high unemployment. The hospitality and leisure segment was one of the hardest hit sectors and the Group's principal investment segment was also adversely impacted with valuation markdowns and reduced dividend income as investee companies curbed dividend payments.

The Group recorded a loss attributable to shareholders of the Company for the year ended 30 June 2020 of HK$873 million, compared to a profit of HK$3,369 million for the preceding year. The loss arose mainly from negative mark-to-market valuations in the principal investment segment and provisions for asset impairment, in particular in the hospitality and leisure segment. The other business segments remained profitable.

The financial strength and liquidity of the Group enabled it to withstand the detrimental impact to the Group's liquidity as most of its businesses closed for the final four months of the financial year. With the support of its bankers, the Group's businesses in the hospitality and leisure segments obtained waiver of certain financial covenants related to its borrowings, for 12 months from June 2020 in recognition of the damage caused by the COVID-19 pandemic.

DIVIDEND

The Company declared an interim dividend of HK$1.00 per share which was paid in March 2020. While the Group's financial position remains strong, the Board has adopted a prudent approach to conserve financial resources in light of the uncertain economic outlook ahead and recommends a final dividend of HK$1.50 per share (2019: HK$3.00 per share) for shareholders' approval at the forthcoming annual general meeting.



CORE BUSINESSES

Principal Investment

In a year in which global asset prices suffered as a result of US/China trade negotiations and the COVID-19 pandemic, the Group did not deviate from its cautious investment approach of focusing primarily on companies with sound fundamentals and consistent dividend payout records. Nevertheless, the principal investment segment showed a loss for the year, primarily due to unrealised fair valuation losses and lower dividend income from investments. The current market and economic situation and outlook present challenges and opportunities to realign asset allocations and management are judiciously repositioning the portfolio to poise it to benefit from an economic recovery.

Property Development and Investment

GuocoLand Limited ("GuocoLand")

GuocoLand's property development and investment business was relatively less affected although COVID-19 related activity lockdowns restricted construction activities resulting in project delays and preventing profit recognition in the year under review. GuocoLand's reduced profit contribution was mainly due to the absence of fair value gain on investment properties in the current year as well as the impairment provision for assets and fair value losses on interest rate hedges. GuocoLand completed the en-bloc acquisitions of the Pacific Mansion and Casa Meyfort freehold residential sites increasing its land bank for development projects that will contribute to future earnings. GuocoLand will continue to focus on building a sustainable recurrent income base to provide a measure of stability to its earnings and offset the inherently lumpy earnings from its property development business.

GuocoLand maintains a healthy financial position amid a volatile business environment. Its financial discipline will ensure capital is available to fund growth and give it the ability to take up suitable opportunities when they arise.

Hospitality and Leisure

GL Limited ("GL")

The temporary cessation of GL's hospitality operations due to the social distancing measures imposed by the UK Government and impairment to the value of its hotel and property portfolio led to a deterioration in its results for the year, mitigated by an exceptional gain on the compulsory acquisition of its Euston Hotel.

As the impact of COVID-19 on the hospitality industry is likely to be protracted, GL is taking a phased approach to the reopening of its hotels to align supply with demand. It has put in place new operating policies and procedures to ensure the safety and well-being of its guests and staff. London remains a key hub and a popular leisure destination and GL remains positive about the long term prospects of the London hospitality market.

The Rank Group Plc ("Rank")

Benefitting from a transformation programme, Rank's UK and international venues and digital businesses delivered strong revenue and profit growth up to March 2020 when the impact of the COVID-19 pandemic hit and its venues were forced to close. Rank's digital business continued to perform strongly however, benefiting from the shift to digital gaming as customers moved online. The integration programme with Stride is progressing in line with expectations.

While Rank's immediate priority has been to reopen its venues, and return to a cash positive position, it has been preparing for the next phase of the group's transformation. New three-year plans have been developed for each business unit aimed at driving revenue growth and further cost reductions and improved customer service especially through the use of technology. The transformation plan involves reshaping the business proposition at its Mecca and Grosvenor venues and exploiting the omni-channel benefits that Rank uniquely has to weld offline and online opportunities. Rank showed strong revenue and profit growth before the COVID-19 disruption in March 2020 and hopes to resume its trajectory after the disruption.

Financial Services

Hong Leong Financial Group Berhad ("HLFG")

Despite steady performances across HLFG's core businesses in 2019, the overall performance, including that of commercial banking, insurance and investment banking, were impacted by the pandemic and its consequences in the second half of the financial year. Without one-off items and COVID-19 associated impacts, its normalised profit would have been better than last year. Its consolidated capital position stayed comfortably above regulatory limits and given its adequate capital and liquidity, HLFG is steadfast that its operating model remains sound and the present short term volatilities will not affect its long term value creation.

OTHERS

Manuka Health New Zealand Limited ("MHNZ") saw a surge in demand for its products as customers sought products to boost immunity and improve wellness. This was seen across many areas including Germany, Europe, UK, USA and Far East/China. MHNZ reported record sales in March 2020 and has been good demand since.

GROUP OUTLOOK

The on-going COVID-19 pandemic and escalating geopolitical tensions are creating pressure on the global economy. The Group's core hospitality and leisure businesses require disciplined management to navigate through this turbulent time. The Group's property segment has experienced delays in its property developments because of COVID-19 lockdowns but has a strong pipeline of projects in the coming years. Abundant liquidity at low cost is having a euphoric effect on equity markets. The Group seeks to balance prospects of capital gains against the risks of underlying business growth. The global economy will in time recover. When it happens, we expect, with our sound management discipline, the Group will also recover its growth and profitability.

Nonetheless, shareholders are reminded that the Group's principal investment performance is likely to remain volatile. In these uncertain times, it will stay vigilant in managing key business concerns such as liquidity, capital, credit, market, and operational risks and will continue to maintain a prudent and sustainable approach to business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We believe that the key to sustainability is the co-existence of entrepreneurialism with professional management, discipline and governance. The COVID-19 global crisis has been disruptive on many fronts. This makes building sustainable and resilient businesses more important than ever. We have introduced an enhanced Environmental, Social and Governance reporting framework based on four pillars namely "Towards a Greener Future"; "Empowering Our People"; "Conducting Business with Honour"; and "Caring for our Community", to showcase our progress in long term growth and creating shareholder value.

APPRECIATION

I express my heartfelt gratitude to all our shareholders, valued customers and business partners for their continued support especially during this unprecedented time. To our management team and staff, I thank you for your unwavering dedication and hard work throughout the year as well as for initiating the operational changes and responding well during the COVID-19 crisis.

KWEK Leng Hai
Executive Chairman
15 September 2020

PRINCIPAL INVESTMENT

PRINCIPAL INVESTMENT

The year under review was turbulent affected by the protracted negotiations leading to the US-China trade agreement in January 2020. This was followed by the outbreak of the COVID-19 pandemic which culminated in widespread lockdowns of social and economic activities. The central banks of the world's major economies flooded the financial system with liquidity and interest rates were cut to near zero. This provided a backstop to declines in equity markets and supported a gradual recovery of stock prices. The measures taken to curb the spread of the COVID-19 virus sharply curtailed commerce with resultant severe job losses causing damage to the economy. Stock appeared overvalued with share prices recovery despite a backdrop of diminished profits.

Our principal investment segment in the year ended June 2020 recorded a loss before taxation of HK$2.0 billion primarily from unrealised mark-to-market valuations and decreases in dividend income. The segment was particularly impacted as the majority of its equity portfolio was in the financial services sector which encountered declines in share prices triggered by the poor economic outlook, dividend cuts to conserve capital and a flat interest rate yield curve depressing asset returns. We expect the segment investments in the financial services sector will recover once economic activities return.

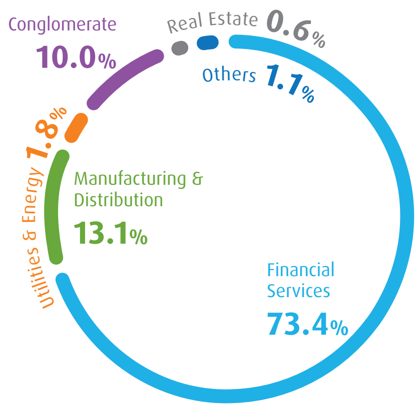
The current market situation presents challenges and opportunities for the principal investment segment to realign its asset allocation and we have taken advantage of rebounds in asset prices to close out our positions in companies whose fundamentals and outlooks have deteriorated. We are judiciously repositioning our portfolio to benefit when economic recovery emerges.

Meanwhile, the Group Treasury navigated carefully through the extremely chaotic market conditions in the financial year and recorded positive contribution from foreign exchange and interest rate management.

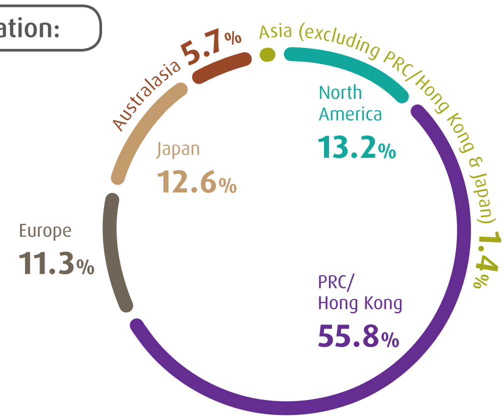
Investment Portfolio

As at 30 June 2020, the Group's total investments under the principal investment segment amounted to HK$18.7 billion. The investment portfolio consisted of 30 securities at year-end. The breakdown of our investment portfolio (excluding the investment in The Bank of East Asia, Limited ("BEA")) as at 30 June 2020 by sector and location was as follows:

By sector:



By location:



Major Investment

As at 30 June 2020, the Group held as a long term investment approximately 436 million (2019: 433 million) shares (14.95% (2019: 14.95%)) of the total issued share capital of BEA with an investment cost of HK$11.2 billion (2019: HK$11.2 billion).

BEA is engaged in the provision of banking and related financial services. The investment in BEA held by the Group accounted for approximately 6% of the Group's total asset value as at 30 June 2020 with a fair value of HK$7.7 billion. The Group recorded an unrealised loss of HK$1.8 billion (2019: HK$4.0 billion) in its fair value reserve and a dividend income of approximately HK$200 million (2019: HK$494 million) in the year.

BEA announced that for the first six months of 2020, BEA earned a profit attributable to owners of the parent of HK$1,532 million, representing an increase of HK$532 million or 53.2%, compared with the HK$1,000 million earned in the same period in 2019, mainly due to a significant decrease in impairment losses in Mainland China. Pre-provision operating profit of BEA was down by HK$1,159 million, or 21.9%, to HK$4,124 million. It was set out in BEA's announcement of its 2020 interim results that BEA will continue to see good prospects for long term business growth in Greater China, and particularly in the Greater Bay Area ("GBA"). As companies diversify their production lines across Asia, BEA has provided banking facilities and other services to help them repurpose their GBA premises. In anticipation of further integration, it has strengthened its cross-boundary relationship management team and introduced technologies such as remote account opening. BEA will continue to cater to customers' needs for banking and financial solutions across the GBA, while providing global support through its overseas network and strategic partnerships.

Save as disclosed above, the Group did not hold any other significant investment with a value greater than 5% of the Group's total asset value as at 30 June 2020.

PROPERTY DEVELOPMENT AND INVESTMENT

Guoco Tower, Singapore

PROPERTY DEVELOPMENT AND INVESTMENT

GuocoLand Limited ("GuocoLand")

For the financial year ended 30 June 2020, GuocoLand's revenue and gross profit increased marginally to S$941.8 million and S$300.1 million respectively as compared to the last financial year. While revenue from GuocoLand's property development business increased by approximately 5%, revenue from investment properties decreased marginally and revenue from hotels fell by close to 30%.

Other income decreased by 32% to S$162.6 million with fair value gain on investment properties recorded in the previous year not being repeated in the current year while a gain was recorded from the sale of the Guoman Hotel in Shanghai. Meanwhile, other expenses increased by S$91.0 million to S$128.4 million mainly due to an impairment loss provided against GuocoLand's joint venture investment (details of the impairment are shown in notes 7(c) and 18 to the financial statements) and fair value losses on its interest rate hedges.

Artist impression of Martin Modern, Singapore

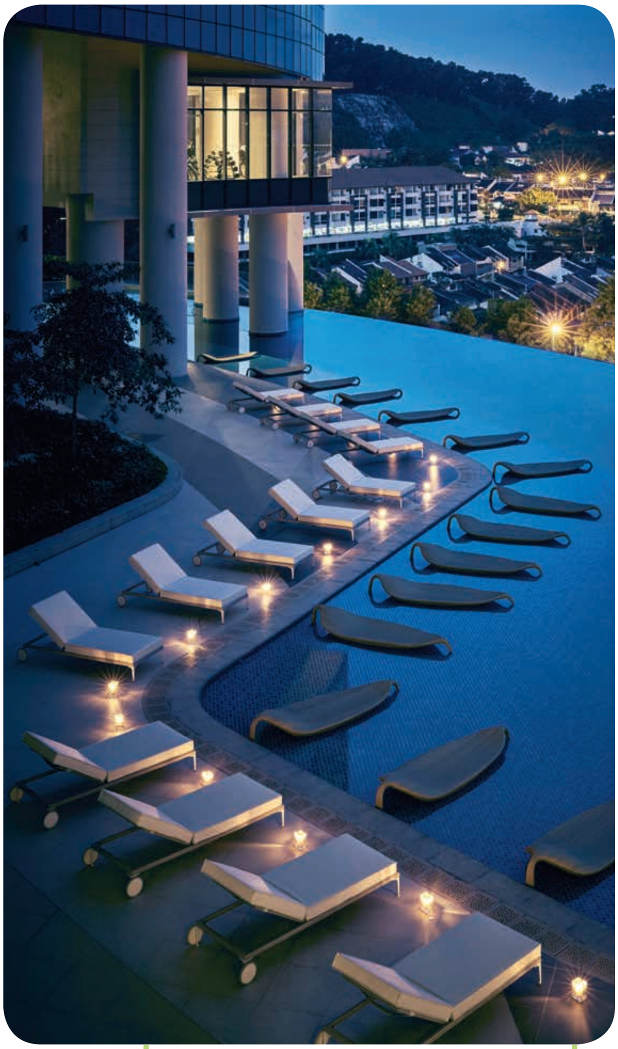
Artist impression of The Avenir, Singapore

Artist impression of Guoco Midtown, Singapore

Artist impression of 18T, Chongqing, China

Statistics released by the Urban Redevelopment Authority in Singapore showed that the overall private residential price index increased by 0.3% quarter-on-quarter in the second quarter of 2020, compared with a 1.0% decrease in the previous quarter. Prices of non-landed residential properties in the Core Central Region and Outside Central Region increased by 2.7% and 0.1% respectively, while prices in the Rest of Central Region decreased by 1.7%, from the previous quarter.

According to official data from the National Bureau of Statistics of China, new home prices across the 70 biggest cities in China rose 0.5% month-on-month and 4.8% year-on-year in July 2020. In Chongqing, prices increased by 0.5% month-on-month and 4.6% year-on-year in July 2020.



DC Residensi salt-water pool, Malaysia

GuocoLand is paying close attention to the COVID-19 situation and its impact on property development and investment activities. Construction of GuocoLand's ongoing development projects in Singapore, China and Malaysia has resumed. GuocoLand will seek to build a resilient and sustainable business for the long term. This includes provision of a safe work environment for its employees, greater use of technology to ensure business continuity and diversification of supply chains.

Artist impression of Midtown Bay, Singapore

Wallich Residence, Singapore

HOSPITALITY AND LEISURE

Amba Charing Cross, London, UK

HOSPITALITY AND LEISURE

GL Limited ("GL")

GL recorded a loss after tax for the financial year ended 30 June 2020 of US$26.7 million compared to a profit after tax of US$50.3 million in the previous financial year.

Revenue was 26% lower than in the previous financial year due mainly to lower hotel revenue following the COVID-19 outbreak as all GL's hotels were temporarily closed in late March 2020 following a lockdown in the United Kingdom ("UK"). A decrease in revenue from the oil and gas segment was recognised due to a lower average crude oil price and reduced oil production as well as the weakening of the AUD against the USD. As a result, GL reported a loss after tax of US$26.7 million which was mitigated by the receipt of the final compensation from the compulsory acquisition of Euston Hotel as well as the government grants from various COVID-19 pandemic relief schemes in the UK and Singapore.

The mandated closure of the GL's hotels in the UK has led to significant business disruption. The hotel assets (included in right-of-use assets and other property, plant and equipment) are reviewed for impairment based on the estimation of the recoverable amount of each individual cash generating unit. As a result, impairment charges on right-of-use assets of US$18.8 million and other property, plant and equipment of US$5.5 million were recognised. Details of the impairment are shown in notes 7(c), 14, and 16 to the financial statements.

With the gradual easing of restrictions in the UK in July 2020 which allowed businesses, including pubs, restaurants and hotels to reopen, GL has progressively started to reopen its hotels depending on demand in their respective localities.

The COVID-19 pandemic continues to restrict international travel and many office workers choose to work from home. London has yet to regain its allure as a global city and consequently occupancy rates in London remain low. GL continues to implement cost reduction initiatives and defer non-critical projects in order to preserve working capital and liquidity. GL will closely monitor the situation and adapt its response to developments as they arise during this unprecedented crisis.

Rock Royalty Lounge, Hard Rock Hotel London, UK

Grosvenor Casino, Sheffield, UK

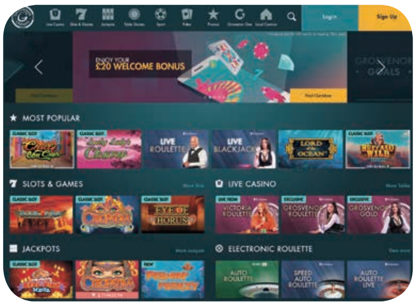
The Rank Group Plc ("Rank")

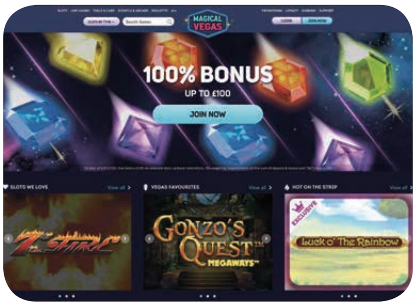
Rank recorded a profit after tax for the financial year ended 30 June 2020 of GBP9.4 million, a decrease of 68% as compared to a profit after tax of GBP29.1 million reported in the previous financial year. Net gaming revenue decreased by 8% to GBP638.1 million with the impact of closed venues during the COVID-19 pandemic offset both by the good progress Rank had made in the first eight months of the financial year and strong growth in its digital business.

Operating profit was adversely impacted by the closures of venues during the COVID-19 pandemic lockdown, resulting in its full year operating profit declining by 40% to GBP23.5 million. This result was mainly attributed to the impairment charges relating to certain of its UK and international venues of GBP37.9 million. Details of the impairment are shown in notes 7(c), 14, 15 and 16 to the financial statements.

Grosvenor Casino, London Barracuda Club, UK

Enracha venue, Spain





Having completed the acquisition of Stride Gaming Plc ("Stride") on 4 October 2019, the focus of Rank has been on the integration of Stride including the development of Stride's proprietary technology in advance of migrating Rank's online services onto the Stride platform before the end of 2021. Rank currently expects cost synergies to be higher than its initial estimation. In the interim, it continues to drive digital growth in the UK, Spain and India.

By August 2020, Rank had received government permission to reopen the majority of its international and UK venues. Stringent social distancing and sanitisation measures with redesigned operations and staff training were introduced to ensure a safe and secure environment for customers and staff. Rank expects to rebuild revenues through the new financial year once social distancing and other supply constraints are reduced and customer confidence returns.

FINANCIAL SERVICES

FINANCIAL SERVICES

Hong Leong Financial Group Berhad ("HLFG")

HLFG Group recorded a profit before tax of RM3,299.5 million for the financial year ended 30 June 2020 as compared to a profit before tax of RM3,505.6 million in the previous financial year, a decrease of RM206.1 million or 5.9%. The decrease was mainly due to a lower contribution from the commercial banking and insurance divisions.

Hong Leong Bank Group recorded a profit before tax of RM2,989.4 million for the financial year ended 30 June 2020 as compared to a profit before tax of RM3,186.0 million in the previous financial year, a decrease of RM196.6 million or 6.2%. The decrease in profit was mainly due to an increase in operating expenses by RM12.2 million, an increase in impairment losses on loans, advances and financing by RM315.3 million, as well as the decrease in a writeback of impairment losses on other assets by RM0.8 million. There was an improvement in revenue of RM52.5 million and an increase in the share of profit from associated companies of RM79.2 million.

HLA Holdings Group recorded a profit before tax of RM256.4 million for the financial year ended 30 June 2020 as compared to one of RM329.2 million in the previous financial year, a drop of RM72.8 million or 22.1%. The decrease was mainly attributable to the reduced revenue of RM54.6 million of which RM23.2 million was due to an unrealised loss on revaluation of equities, the increase in an allowance for impairment losses on other assets by RM0.1 million as well as a decrease in life fund surplus by RM76.2 million. This was mitigated by a reduction in operating expenses by RM26.1 million and an increase in the share of profit from an associated company by RM32.0 million.

Hong Leong Capital Group recorded a profit before tax of RM95.8 million for the financial year ended 30 June 2020 as compared to one of RM76.7 million in the previous financial year, an increase of RM19.1 million or 24.9%. This was mainly due to a higher contribution from the asset management, investment banking and stockbroking divisions.

OTHERS

During the year, Manuka Health New Zealand Limited ("MHNZ"), a wholly owned subsidiary of the Company engaging in the production and distribution of manuka honey products, experienced an uplift in sales as demand for its products surged. With the onset of the COVID-19 outbreak, consumers sought natural wellness products. In the near term, MHNZ will focus on building its brand profile to differentiate itself from competitors as well as growth in its core markets of China, Europe, Japan, USA and Oceania.

GROUP FINANCIAL COMMENTARY

Financial Results

The Group recorded a loss attributable to shareholders of the Company for the year ended 30 June 2020 of HK$873 million, compared to a profit of HK$3,369 million last year. The loss was incurred mainly as a result of a negative mark-to-market impact on the principal investment segment and provisions for asset impairment, in particular, in the hospitality and leisure segment. The other business segments remained profitable. The basic loss per share amounted to HK$2.68.

The principal investment segment reported a net loss of HK$2.0 billion primarily because of mark-to-market losses. The hospitality and leisure segment recorded a loss of HK$233 million as a result of the adverse impact caused by COVID-19, with the majority of the loss arising from the provision for asset impairments. However, the profits generated from the property development and investment, financial services and other segments of HK$678 million, HK$866 million and HK$245 million respectively mitigated the overall loss position.

Revenue declined by HK$2.8 billion or 16% to HK$14.6 billion during the year. This was primarily due to reduced income of HK$0.9 billion from the principal investment segment and a decrease of HK$1.6 billion in revenues from the hospitality and leisure segment following the COVID-19 lockdowns of their operations in the final quarter of the year under review.

Capital Management

The consolidated total equity attributable to shareholders of the Company as at 30 June 2020 amounted to HK$56.1 billion. Net debt, being total bank loans and other borrowings less cash and short term funds as well as trading financial assets, amounted to HK$15.2 billion. The equity-debt ratio was 79:21 as at 30 June 2020.

Liquidity and Financial Resources

The Group's total cash and short term funds as well as trading financial assets were mostly denominated in USD (27%), HKD (25%), SGD (12%), RMB (12%), GBP (9%) and JPY (7%) at year end.

The Group's total bank loans and other borrowings amounted to HK$37.3 billion as at 30 June 2020, and were mostly denominated in SGD (68%), GBP (7%), USD (6%) and MYR (6%). The Group has borrowings of HK$7.6 billion payable within 1 year or on demand.

Certain of the Group's bank loans and other borrowings are secured by pledges of various properties, fixed assets, trading financial assets and bank deposits with an aggregate book value of HK$45.5 billion at year end.

Committed borrowing facilities available to the Group and not yet drawn as at 30 June 2020 amounted to approximately HK$19.2 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 contracts to manage its interest rate exposure when considered appropriate.

As at 30 June 2020, approximately 85% of the Group's bank loans and other borrowings carried interest at floating rates and the remaining 15% carried interest at fixed rates. The Group had outstanding interest rate contracts with a notional amount of HK$10.4 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 exposure and investments.

As at 30 June 2020, there were outstanding foreign exchange contracts with a total notional amount of HK$24.6 billion entered into to hedge foreign currency equity investments.

Equity Price Exposure

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

HUMAN RESOURCES AND TRAINING

The Group employed around 11,400 employees as at 30 June 2020. The Group continued to seek an optimal workforce. It 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 on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial results of the Group and individual achievement to promote performance. In addition, share based award schemes are in place for granting share options and/or free shares to eligible employees to align their long term interests with those of the shareholders and for the purposes of staff motivation and talent retention.

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 on Corporate Governance Practices (the "CGP Code") based on the principles as set out in Appendix 14 (the "HKEX Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The CGP Code is reviewed from time to time and updated as appropriate to align with the revised provisions of the HKEX Code. Continuous efforts are made to review and enhance the Group's risk management and internal control systems 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 applicable HKEX Code throughout the financial year ended 30 June 2020 and up to the date of this report, except where otherwise stated.

A. DIRECTORS

1. The Board

The Board assumes responsibilities 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 these responsibilities.

The main role and responsibilities of the Board broadly cover, among others, 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 systems to manage these risks; reviewing and approving key matters such as financial results, investments and divestments and other material transactions; and reviewing the Company's policies and practices on corporate governance as well as legal and regulatory compliance.

The Board recognises its corporate governance duties as an ongoing commitment and has monitored and reviewed the relevant corporate governance code, policy, standard and practices of the Company during the year and delegated relevant aspects of the function to the board committees and management where appropriate.

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

A. DIRECTORS (cont'd)

1. The Board (cont'd)

The Board during the year and up to the date of this report comprised the following members:

Executive Chairman
KWEK Leng Hai

President & CEO
TANG Hong Cheong

Non-executive Director
KWEK Leng San

Independent Non-executive Directors
Volker STOECKEL [Note 1]
Roderic N. A. SAGE
David Michael NORMAN
Lester G. HUANG, *SBS, JP* [Note 2]

Notes:

1. Mr. Volker STOECKEL retired as an independent non-executive director by rotation at the conclusion of the annual general meeting of the Company held on 18 November 2019 ("2019 AGM").

2. Mr. Lester G. HUANG, *SBS, JP* was appointed as an independent non-executive director after the conclusion of the 2019 AGM.

Pursuant to the Bye-Laws of the Company ("Bye-Laws") and the CGP Code, not less than one-third of the directors shall retire from office by rotation at each annual general meeting. The directors to retire every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day shall (unless they otherwise agree between themselves) be determined by lot.

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 pursuant to the Bye-Laws and the CGP Code. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the HKEX Code.

The Company received confirmation of independence from each of the independent non-executive directors (the "INED") pursuant to Rule 3.13 of the Listing Rules. The Board is of the view that Messrs. Roderic N. A. SAGE, David Michael NORMAN and Lester G. HUANG, *SBS, JP* remain independent.

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. KWEK Leng Hai is the Executive Chairman and Mr. TANG Hong Cheong is the President & CEO of the Company.

The Executive Chairman leads the Board and ensures its smooth and effective functioning. The President & CEO is responsible for the vision and strategic direction of the Group, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, setting the benchmark and targets for operating companies, overseeing the day-to-day operations and tracking compliance and business progress.

A. DIRECTORS (cont'd)

3. Board Process

The Board meets regularly, at least four times a year. Additional board meetings are held whenever warranted. For the year ended 30 June 2020, a total of five board meetings were held.

The directors are at liberty to propose matters as appropriate to be included in the meeting agendas. 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 material or notable transactions which require the approval of the Board.

Where appropriate, decisions are also taken by way of circulated resolutions with supporting explanations and materials, supplemented by additional verbal or written information from the Company Secretary or other executives as and when needed. The Board also receives information between meetings about developments in the Company's business.

The Executive Chairman will arrange to meet with INEDs without the presence of other directors at least annually as appropriate.

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

Details of directors' attendance at the board meetings and the 2019 AGM held during the year are as follows:

	Board Meetings attended/ Eligible to attend	2019 AGM attended/ Eligible to attend
Executive Chairman		
KWEK Leng Hai	5/5	1/1
President & CEO		
TANG Hong Cheong	5/5	1/1
Non-executive Director		
KWEK Leng San	4/5	0/1
Independent Non-executive Directors		
Volker STOECKEL [Note 1]	3/3	0/1
Roderic N. A. SAGE	5/5	1/1
David Michael NORMAN	5/5	1/1
Lester G. HUANG, *SBS, JP* [Note 2]	2/2	N/A

Notes:

1. Mr. Volker STOECKEL retired as an independent non-executive director by rotation at the conclusion of the 2019 AGM. Three board meetings were held during the period from 1 July 2019 up to the conclusion of the 2019 AGM (date of retirement of Mr. Stoeckel).

2. Mr. Lester G. HUANG, *SBS, JP* was appointed as an independent non-executive director after the conclusion of the 2019 AGM. Two board meetings were held and no general meeting was held during the period from the conclusion of the 2019 AGM (date of appointment of Mr. Huang) to 30 June 2020.

A. DIRECTORS (cont'd)

4. Directors' Securities Transactions

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

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

5. Dividend Policy

Pursuant to the HKEX Code, the Board resolved on 26 February 2019 to adopt a dividend policy (the "Dividend Policy") which is set out as follows:

- The Company intends to create long term value for its shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements, and capturing future growth opportunities.

- Pursuant to the Dividend Policy, the Board may propose/declare the payment of dividend(s) after taking into account the current financial performance of the Company, the future financial requirements of the Company and any other factors the Board may deem relevant.

- The Board may also decide on the frequency of dividend payment and further declare/recommend any special distributions. Dividend(s) may be in the form of cash, shares, distribution in-specie or any other form as the Board may determine.

The Board may review the Dividend Policy from time to time and update, amend, modify and/or cancel the Dividend Policy at any time in the interest of the Company and its shareholders.

6. Directors' Continuous Training and Development Programme

Pursuant to the HKEX Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Company has put in place training and development programmes for directors which includes (1) induction/familiarisation programme for newly appointed directors; and (2) on-going training and professional development programme for directors.

During the year ended 30 June 2020, all directors received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient laws and regulations, environmental, social and governance matters applicable to the Group were provided to the directors. They also attended regulatory update sessions and seminars on relevant topics. All directors are requested to provide the Company with their respective training record pursuant to the CGP Code.

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, with delegated responsibility from the Board as described under Code B.1.2(c)(i) of the HKEX Code, the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payment which may include 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 at www.guoco.com and the Hong Kong Exchanges and Clearing Limited's ("HKEX") website at www.hkexnews.hk.

Membership and attendance

For the year ended 30 June 2020, the members of the BRC and their attendance at the meetings are set out below:

	BRC Meetings attended/ Eligible to attend
Volker STOECKEL* – *Chairman* Note 1	2/2
Roderic N.A. SAGE* – *Chairman* Note 2	2/2
KWEK Leng Hai@	2/2
Lester G. HUANG, *SBS, JP** Note 3	N/A

@ Executive Chairman
* Independent Non-executive Director

Notes:

1. Mr. Volker STOECKEL ceased to be the Chairman of the BRC at the conclusion of the 2019 AGM. Two BRC meetings were held during the period from 1 July 2019 up to the conclusion of the 2019 AGM (date of retirement of Mr. Stoeckel).

2. Mr. Roderic N. A. SAGE was re-designated as the Chairman of the BRC after the conclusion of the 2019 AGM.

3. Mr. Lester G. HUANG, *SBS, JP* was appointed as a member of the BRC after the conclusion of the 2019 AGM. No BRC meeting was held during the period from the conclusion of the 2019 AGM (date of appointment of Mr. Huang) to 30 June 2020.

B. DIRECTORS' REMUNERATION (cont'd)

1. Board Remuneration Committee ("BRC") (cont'd)

Work done during the year

- reviewed and recommended directors' fees for the non-executive directors for the financial year 2018/19;
- reviewed and approved the discretionary bonuses for the executive directors and senior management for the financial year 2018/19;
- reviewed and approved the remuneration packages of the executive directors and senior management for the calendar year 2020;
- reviewed the terms of reference of the BRC and the remuneration policy for directors and senior management; and
- deliberated the statement relating to the BRC for inclusion in the Corporate Governance Report.

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 its shareholders' approval at the Company's annual general meetings.

Details of the remuneration of the directors for the year ended 30 June 2020 are provided in note 9 to the Financial Statements in this annual report.

C. DIRECTORS' NOMINATION

1. Board Nomination Committee ("BNC")

The principal role of the BNC is to make recommendations to the Board on the structure, size and composition of the Board, to review the independence of INEDs, the suitability of directors who will stand for re-election and directors' continuous training and development programme, to formulate, review and implement a policy for the nomination of directors (including nomination procedures) and to formulate a policy concerning board diversity, monitor the implementation of such policy and to review the same, as appropriate. Detailed terms of reference of the BNC is accessible on the Company's website at www.guoco.com and HKEX's website at www.hkexnews.hk.

Membership and attendance

For the year ended 30 June 2020, the members of the BNC and their attendance at the meetings are set out below:

	BNC Meetings attended/ Eligible to attend
KWEK Leng Hai@ – *Chairman*	2/2
Volker STOECKEL* Note 1	2/2
Roderic N. A. SAGE*	2/2
David Michael NORMAN* Note 2	N/A

@ Executive Chairman
* Independent Non-executive Director

Notes:

1. Mr. Volker STOECKEL ceased to be a member of the BNC at the conclusion of the 2019 AGM. Two BNC meetings were held during the period from 1 July 2019 up to the conclusion of the 2019 AGM (date of retirement of Mr. Stoeckel).

2. Mr. David Michael NORMAN was appointed as a member of the BNC after the conclusion of the 2019 AGM. No BNC meeting was held during the period from the conclusion of the 2019 AGM (date of appointment of Mr. Norman) to 30 June 2020.

C. DIRECTORS' NOMINATION (cont'd)

1. Board Nomination Committee ("BNC") (cont'd)

Work done during the year

- selected and assessed the suitability of candidates for appointment as an INED, appointment and re-designation of board committee members of the Company pursuant to the process and criteria as set out in the nomination policy (the "Nomination Policy");
- reviewed the structure, size, composition and diversity of the Board (including the mix of skills, knowledge, experience, competences of directors, and the balance between executive directors, non-executive director and INEDs) annually and for proposed changes of board/board committee composition;
- reviewed and assessed the independence of INEDs of the Company;
- reviewed and assessed the suitability of the directors who stood for re-election at the annual general meeting pursuant to the process and criteria as set out in the Nomination Policy;
- reviewed the continuous training and development programmes undertaken by directors to ensure that an appropriate programme is in place;
- reviewed the board diversity policy (the "Board Diversity Policy") and the terms of reference of the BNC;
- reviewed and updated the Nomination Policy; and
- deliberated the statement relating to the BNC for inclusion in the Corporate Governance Report.

2. Board Diversity Policy

The Company has adopted the Board Diversity Policy pursuant to which the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company maintains that selection of candidates for Board appointments will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year, the assessment and selection of candidates for appointment as an INED was made pursuant to the objectives of the Board Diversity Policy. While conscious efforts are being taken to achieve board diversity, the new appointment is ultimately made on a merit basis taking into account available and suitable candidates. With a view to achieving a sustainable and balanced development, the BNC has also reviewed the structure, size, composition and diversity of the Board to ensure that its composition complies with the Listing Rules and reflects an appropriate mix of education disciplines, professional experiences and skill set. The BNC further reviewed the Board Diversity Policy to ensure its continued effectiveness.

The Board Diversity Policy is accessible on the Company's website at www.guoco.com.

3. Nomination Policy

The Board has adopted the Nomination Policy which serves as a guiding mechanism and framework for the BNC on the process for new appointments and re-appointments of directors, CEO and board committee members and their annual assessment.

The BNC will review annually the Nomination Policy to ensure its effectiveness and application and will update, amend and modify as appropriate to ensure it continues to be relevant to needs of the Company and is consistent with regulatory and corporate governance requirements.

The Nomination Policy is accessible on the Company's website at www.guoco.com.

D. ACCOUNTABILITY AND AUDIT

1. Board Audit and Risk Management Committee ("BARMC")

The BARMC oversees the financial reporting process and assesses the adequacy and effectiveness of the Company's financial reporting as well as risk management and internal control systems. The BARMC meets with the Company's external and internal auditors, and reviews their audit plans, the internal audit programme, and the results of their examinations as well as their evaluations of the risk management and internal control systems. The BARMC reviews the Group's and the Company's financial statements and the auditor's report thereon and submits its views to the Board. Detailed terms of reference of the BARMC are accessible on the Company's website at www.guoco.com and HKEX's website at www.hkexnews.hk.

Membership and attendance

For the year ended 30 June 2020, the members of the BARMC and their attendance at the meetings are set out below:

	BARMC Meetings attended/ Eligible to attend
Roderic N. A. SAGE* – *Chairman*	4/4
Volker STOECKEL* Note 1	2/2
David Michael NORMAN*	4/4
Lester G. HUANG, *SBS, JP** Note 2	2/2

* Independent Non-executive Director

Notes:

1. Mr. Volker STOECKEL ceased to be a member of the BARMC at the conclusion of the 2019 AGM. Two BARMC meetings were held during the period from 1 July 2019 up to the conclusion of the 2019 AGM (date of retirement of Mr. Stoeckel).

2. Mr. Lester G. HUANG, *SBS, JP* was appointed as a member of the BARMC after the conclusion of the 2019 AGM. Two BARMC meetings were held during the period from the conclusion of the 2019 AGM (date of appointment of Mr. Huang) to 30 June 2020.

The President & CEO, Group Financial Controller and Head of Internal Audit are normal attendees of the BARMC meetings. Representatives of the external auditor are invited to attend the BARMC meetings to present significant audit and accounting matters which they noted in the course of their audit.

D. ACCOUNTABILITY AND AUDIT (cont'd)

1. Board Audit and Risk Management Committee ("BARMC") (cont'd)

Work done during the year

- reviewed the nature and scope of external audit, the independence of external auditor and effectiveness of the audit process and approved the external audit fee and the engagement terms;
- reviewed the interim financial report, the interim results announcement, the annual financial statements and the final results announcement;
- reviewed the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control, as well as management's response thereto;
- reviewed and discussed with the management the effectiveness of the risk management and internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions;
- 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;
- reviewed the effectiveness of the processes for financial reporting and Listing Rules compliance of the Company;
- reviewed connected transactions entered into by the Group or subsisting during the year;
- reviewed the terms of reference of the BARMC; and
- deliberated the statement relating to the BARMC for inclusion in the Corporate Governance Report.

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 cash flows.

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 BARMC'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 auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 68 to 73 of this annual report.

D. ACCOUNTABILITY AND AUDIT (cont'd)

3. Risk Management and Internal Control

For business strategy formulation and for improving business performance, a set of Enterprise Risk Management framework ("ERM framework"), as set forth in the company policy, has been established and implemented by all strategic business units ("SBUs") within the Group. This ERM framework consists of iterative processes for each SBU to constantly identify and assess risks in terms of their potential impact and probability of occurrence, as well as to establish and implement relevant procedures and internal controls for risk mitigation. Risk profile reports are submitted to the Company's senior management and the BARMC for review on a quarterly basis, to ensure that residual risks after taking into account risk mitigating measures fall within the risk appetite and tolerance set by the Board.

The BARMC oversees the effectiveness of the processes for financial reporting and Listing Rule compliance. It also reviews the adequacy of resources, qualifications and experience of staff of the accounting, internal audit and financial reporting functions and their training programmes.

To assist the BARMC in its oversight and monitoring activities, the Company established an internal audit function which, on a risk-based approach, conducts periodic audits of major controls including financial, operational, compliance and the risk management function of the Company and its subsidiaries. Any material control issues identified, together with remedial action plans, are reported to the BARMC at the meetings. The internal audit team shall follow up and ensure that any material control issues are promptly and properly rectified.

The effectiveness of the Company's and its subsidiaries' risk management and internal control systems is reviewed by the BARMC on a quarterly basis, based on the risk profile reports submitted and reported audit findings. The BARMC will submit the report to the Board for deliberation. The extent and frequency of communication of the monitoring results to the BARMC and the Board have been reviewed and are considered sufficient.

The Board acknowledges responsibility for the risk management and internal control systems and reviewing their effectiveness, but would like to explain that such internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Handling and Dissemination of Inside Information

The Company has established and implemented relevant procedures and internal controls for the handling and dissemination of inside information, including restricting employee access to inside information on a need-to-know basis and ensuring that those who need to know understand the obligation of keeping the information confidential. All inside information is disclosed to the public pursuant to the requirements under the Securities and Futures Ordinance and the Listing Rules and kept strictly confidential before disclosure.

4. Auditor's Remuneration

The fees charged by the Group's external auditor for the year in respect of annual audit services amounted to HK$22,971,000 and those in respect of non-audit services (comprising tax advisory and review, transaction support and consultancy services) amounted to HK$2,751,000.

E. INVESTOR RELATIONS

1. Communication with Investors

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

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 and environmental, social and governance reports;
- other corporate communication materials, e.g. notices of meetings, circulars, proxy forms, etc.,
- corporate calendar for important shareholders' dates for current financial year;
- constitutional documents of the Company;
- corporate governance information including composition and terms of reference of board committees, corporate governance report and various governance policies adopted by the Company;
- online registration of email alert service for receiving the Company's latest corporate communications; and
- other information relating to the Group and its businesses.

Regular dialogues are maintained with institutional investors. Enquiries from individuals on matters relating to the business of the Group are welcome and are dealt with in an informative and timely manner. Shareholders can make any query in respect of the Group or to make a request for the Group's information to the extent such information is publicly available. The designated contact details are as follows:

By Post: Guoco Group Limited
50th Floor, The Center, 99 Queen's Road Central, Hong Kong
By Fax: (852) 2285 3233
By Email: comsec@guoco.com

Shareholders' questions about their shareholdings are dealt with by Computershare Hong Kong Investor Services Limited, the Company's branch share registrar, at Shops 1712-16, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong.

2. General Meetings

The annual general meeting of the Company provides an opportunity for its 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 annual general meeting and to vote on all resolutions.

E. INVESTOR RELATIONS (cont'd)

3. Rights and Procedures for Shareholders to Convene General Meetings

Pursuant to the Bermuda Companies Act 1981, the directors shall, on the requisition of its shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

Pursuant to the Bye-Law 103 of the Bye-Laws, shareholder(s) of the Company may send a notice in writing of intention to propose a person for election as a director. Such notice in writing shall be lodged at the Company's principal office at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong, or at the Company's branch share registrar's office at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong provided that the minimum length of the period for lodgment of the notices referred to herein shall be at least seven days which shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

15 September 2020

FINANCIAL SECTION CONTENTS

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their report together with the audited financial statements of the Group for the year ended 30 June 2020 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and 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. The principal activities of the associates which materially affected the results of the Group during the year include commercial banking business, Islamic banking services, insurance and takaful business, investment banking, futures and stockbroking and asset management 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.

BUSINESS REVIEW

A fair review of the business of the Group, a discussion and analysis of the Group's performance during the year, financial key performance indicators, description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year as well as an indication of likely future development in the business of the Group are provided throughout this annual report, particularly in the sections headed Financial Highlights, Chairman's Statement, Management Discussion and Analysis of this annual report as well as the Segment Reporting and Financial Risk Management and Fair Values in the notes to the Financial Statements. A discussion on the Group's environmental policies and performance, the Group's compliance with relevant laws and regulations that have a significant impact on the Group and an account of the Group's key relationships with its stakeholders are provided in the "Corporate Governance Report" in this annual report and the "Environmental, Social and Governance Report" which will be available at the Company's website at www.guoco.com not later than end of November 2020. All such discussions form part of this Report of the Directors.

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 2020 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 74 to 189.

DIVIDENDS

An interim dividend of HK$1.00 per share (2019: HK$1.00 per share) totalling HK$329,051,000 (2019: HK$329,051,000) was paid on 19 March 2020. The Directors are recommending payment of a final dividend of HK$1.50 per share (2019: HK$3.00 per share) in respect of the year ended 30 June 2020 totalling HK$493,581,000 (2019: HK$987,158,000).

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$2,086,000 (2019: US$1,672,000).

SHARE CAPITAL

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

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 35 to the Financial Statements.

EQUITY-LINKED AGREEMENTS

Other than the Executive Share Option Scheme of the Company as disclosed in this Report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares was entered into by the Company at any time during the year or subsisted at the end of the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2020.

PROPERTIES

Particulars of the major development properties, properties held for sale and investment properties of the Group are shown on pages 190 to 192.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws of the Company ("Bye-Laws") or the laws in Bermuda.

DIRECTORS

The Directors during the year and up to the date of this Report are:

KWEK Leng Hai – *Executive Chairman*
TANG Hong Cheong – *President & CEO*
KWEK Leng San*
Volker STOECKEL** Note 1
Roderic N. A. SAGE**
David Michael NORMAN**
Lester G. HUANG, *SBS, JP*** Note 2

* Non-executive Director
** Independent Non-executive Director

Notes:

1. Mr. Volker STOECKEL retired as an independent non-executive director by rotation at the conclusion of the annual general meeting of the Company held on 18 November 2019 ("2019 AGM") and did not stand for re-election due to his health condition.

2. Mr. Lester G. HUANG, *SBS, JP* has been appointed as an independent non-executive director of the Company after the conclusion of the 2019 AGM.

In accordance with Bye-Law 99 of the Bye-Laws and Code A.4.2 of the Code on Corporate Governance Practices (the "CGP Code") of the Company, Messrs. KWEK Leng San and David Michael NORMAN shall retire from office by rotation at the forthcoming annual general meeting of the Company to be held on 6 November 2020 (the "2020 AGM"). Messrs. KWEK Leng San and David Michael NORMAN being eligible, will offer themselves for re-election at the 2020 AGM.

Pursuant to Bye-Law 102 of the Bye-Laws and Code A.4.2 of the CGP Code, Mr. Lester G. HUANG, *SBS, JP,* who has been appointed as an independent non-executive director of the Company after the conclusion of the 2019 AGM, shall hold office until the 2020 AGM and being eligible, will offer himself for re-election at the 2020 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2020 AGM 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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the continuing connected transactions and material related party transactions are set out in this Report and note 42 to the Financial Statements respectively. Save as disclosed, no transaction, arrangement or contract of significance to which the Company or any of its parent companies, subsidiary undertakings or subsidiary undertakings of its parent companies was a party and in which a Director or his connected entity had, directly or indirectly, a material interest subsisted at the end of the year or at any time during the year ended 30 June 2020.

MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended 30 June 2020.

INDEMNITY OF DIRECTORS

Pursuant to the Bye-Laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company maintains Directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors.

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

As at 30 June 2020, the interests and short positions of the Directors 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 2020 with the disclosure deadlines under the SFO falling after 30 June 2020.

(A) The Company

	Number of *shares (Long Position)		
Director	Personal interests	Total interests	Approx. % of total number of shares in issue
KWEK Leng Hai	3,800,775	3,800,775	1.16%
TANG Hong Cheong	130,000	130,000	0.04%
KWEK Leng San	209,120	209,120	0.06%
David Michael NORMAN	4,000	4,000	0.00%

* Ordinary shares

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

(B) Associated Corporations

(a) Hong Leong Company (Malaysia) Berhad

Director	Number of *shares (Long Position) Personal interests	Total interests	Approx. % of total number of shares in issue
KWEK Leng Hai	420,500	420,500	2.61%
KWEK Leng San	160,895	160,895	1.00%

* Ordinary shares

(b) GuocoLand Limited ("GuocoLand")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Total interests	Approx. % of total number of shares in issue	
KWEK Leng Hai	35,290,914	35,290,914	2.98%	
TANG Hong Cheong	865,000	865,000	0.07%	Note

* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 865,000 shares/underlying shares comprised 345,000 ordinary shares of GuocoLand and an option of 520,000 underlying shares of GuocoLand pursuant to an executive option scheme of a Hong Leong Group company.

(c) Hong Leong Financial Group Berhad

Director	Number of *shares (Long Position) Personal interests	Total interests	Approx. % of total number of shares in issue
KWEK Leng Hai	2,526,000	2,526,000	0.22%
TANG Hong Cheong	174,146	174,146	0.02%
KWEK Leng San	654,000	654,000	0.06%

* Ordinary shares

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

(B) Associated Corporations (cont'd)

(d) GuocoLand (Malaysia) Berhad

	Number of *shares (Long Position)		
Director	Personal interests	Total interests	Approx. % of total number of shares in issue
KWEK Leng Hai	226,800	226,800	0.03%
TANG Hong Cheong	195,000	195,000	0.03%

* Ordinary shares

(e) GL Limited

	Number of *shares (Long Position)		
Director	Personal interests	Total interests	Approx. % of total number of shares in issue
KWEK Leng Hai	300,000	300,000	0.02%
TANG Hong Cheong	2,500,000	2,500,000	0.18%

* Ordinary shares

(f) The Rank Group Plc

	Number of *shares (Long Position)		
Director	Personal interests	Total interests	Approx. % of total number of shares in issue
KWEK Leng Hai	1,026,209	1,026,209	0.26%
TANG Hong Cheong	130,000	130,000	0.03%
KWEK Leng San	56,461	56,461	0.01%

* Ordinary shares

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

(B) Associated Corporations (cont'd)

(g) Hong Leong Industries Berhad ("HLI")

Director	Number of *shares/underlying shares (Long Position)			Approx. % of total number of shares in issue	
	Personal interests	Family interests	Total interests		
KWEK Leng Hai	190,000	–	190,000	0.06%	
TANG Hong Cheong	300,000	15,000	315,000	0.10%	
KWEK Leng San	2,632,500	–	2,632,500	0.82%	Note

* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 2,632,500 shares/underlying shares comprised 2,544,167 ordinary shares of HLI and a share grant of 88,333 underlying shares of HLI which shall be vested in 2 tranches on 31 January 2021 and 31 January 2022.

(h) Hong Leong Bank Berhad

Director	Number of *shares (Long Position)		Approx. % of total number of shares in issue
	Personal interests	Total interests	
KWEK Leng Hai	5,510,000	5,510,000	0.26%
KWEK Leng San	536,000	536,000	0.03%

* 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/underlying shares (Long Position) Personal interests	Total interests	Approx. % of total number of shares in issue	
KWEK Leng Hai	71,250	71,250	0.04%	
KWEK Leng San	1,482,500	1,482,500	0.74%	Note

* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 1,482,500 shares/underlying shares comprised 1,334,167 ordinary shares of MPI and a share grant of 148,333 underlying shares of MPI which shall be vested in 2 tranches on 31 January 2021 and 31 January 2022.

(j) Lam Soon (Hong Kong) Limited

Director	Number of *shares (Long Position) Personal interests	Family interests	Total interests	Approx. % of total number of shares in issue
KWEK Leng Hai	2,300,000	–	2,300,000	0.95%
TANG Hong Cheong	700,000	–	700,000	0.29%
Lester G. HUANG, *SBS, JP*	–	150,000	150,000	0.06%

* Ordinary shares

(k) Southern Steel Berhad

Director	Number of *shares (Long Position) Personal interests	Total interests	Approx. % of total number of shares in issue
TANG Hong Cheong	71,000	71,000	0.01%

* Ordinary shares

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

(B) Associated Corporations (cont'd)

(I) Hume Industries Berhad ("HIB")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Family interests	Total interests	Approx. % of total number of shares in issue	Note
KWEK Leng Hai	310,771	–	310,771	0.06%	2
TANG Hong Cheong	3,776,670	26,199	3,802,869	0.76%	3
KWEK Leng San	5,938,742	–	5,938,742	1.19%	4

* Ordinary shares unless otherwise specified in the Notes

Director	Amount of debentures Personal interests	Family interests	Total interests	Note
	RM	RM	RM	
KWEK Leng Hai	73,900	–	73,900	1
TANG Hong Cheong	930,000	7,000	937,000	1
KWEK Leng San	1,412,000	–	1,412,000	1

Notes:

1. Interests in 5-year 5% redeemable convertible unsecured loan stocks ("RCULS") issued by HIB. The RCULS are convertible into ordinary shares of HIB at the conversion price of RM0.7 RCULS for 1 HIB share.

2. The total interest of 310,771 shares/underlying shares comprised 205,200 ordinary shares of HIB and a derivative interest of 105,571 underlying shares of HIB through the conversion right under the RCULS.

3. The personal interest of 3,776,670 shares/underlying shares comprised 2,448,100 ordinary shares of HIB and a derivative interest of 1,328,570 underlying shares of HIB through the conversion right under the RCULS. The family interest of 26,199 shares/underlying shares comprised 16,200 ordinary shares of HIB and a derivative interest of 9,999 underlying shares of HIB through the conversion right under the RCULS.

4. The total interest of 5,938,742 shares/underlying shares comprises 3,921,600 ordinary shares of HIB and a derivative interest of 2,017,142 underlying shares of HIB through the conversion right under the RCULS.

Save as disclosed above, as at 30 June 2020, none of the Directors 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 pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

SHARE OPTIONS

The Company

Executive Share Option Scheme 2012 (the "ESOS 2012")

The ESOS 2012 was approved by the shareholders of the Company at the special general meeting on 14 November 2012 (the "Approval Date") and took effect on 16 November 2012 (the "Effective Date") for grant of options over newly issued and/or existing shares of the Company to executives or Directors of the Company or any of its subsidiaries (the "Eligible Executives") from time to time. The ESOS 2012 provides an opportunity for the Eligible Executives to participate in the equity of the Company and aligning the Company's long term interests with those of the shareholders.

A trust (the "ESOS Trust") is in place 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 ESOS 2012. A wholly owned subsidiary of the Company as the trustee is responsible for administering the ESOS Trust.

The number of new shares of the Company that may be issued upon exercise of all share options to be granted under the ESOS 2012 shall not in aggregate exceed 10% of the issued share capital of the Company as at the Approval Date, i.e. 32,905,137 which represents 10% of the shares in issue of the Company as at the date of this Report. The maximum entitlement for an Eligible Executive 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.

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 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 30 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 ESOS 2012 is 10 years from the Effective Date. The ESOS 2012 shall remain valid and effective till 15 November 2022.

No option has ever been granted to any Eligible Executives pursuant to the ESOS 2012 up to 30 June 2020.

GuocoLand Limited ("GuocoLand")

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

The GuocoLand ESOS 2008 was approved by the shareholders of GuocoLand on 17 October 2008 and further approved by the shareholders of the Company pursuant to Chapter 17 of the Listing Rules on 21 November 2008 (the "GuocoLand ESOS Effective Date"). 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 (collectively the "GuocoLand Group") who are not GuocoLand's controlling shareholders or their associates.

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

The administration of the GuocoLand ESOS 2008 has been delegated to the remuneration committee of GuocoLand. The remuneration committee shall select confirmed employees (including executive directors) of the GuocoLand Group to become participants of the GuocoLand ESOS 2008.

SHARE OPTIONS (cont'd)

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

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

Pursuant to the GuocoLand ESOS 2008, the number of GuocoLand shares over which the remuneration committee of GuocoLand may grant options under the GuocoLand ESOS 2008 on any date shall not in aggregate exceed 15% of the issued share capital of GuocoLand on the day preceding that date, provided that the maximum aggregate number of new GuocoLand shares over which the remuneration committee of GuocoLand may grant options when added to the number of new GuocoLand shares issued and issuable in respect of all options granted under the GuocoLand ESOS 2008, shall not exceed 10% of the issued share capital of GuocoLand as at the GuocoLand ESOS Effective Date. As at the date of this Report, the total number of new GuocoLand shares available for issue under the GuocoLand ESOS 2008 is 118,337,327 which represents approximately 10% of the issued share capital of GuocoLand.

The maximum entitlement of any participant in respect of the total number of new GuocoLand 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 GuocoLand 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 GuocoLand share shall be fixed as follows:

(a) where the option is granted without any discount, the exercise price shall be a price equal to the 5-day weighted average market price ("Market Price") of the GuocoLand shares immediately prior to the date of grant of the option for which there was trading in the GuocoLand shares; and

(b) where the option is granted at a discount, the exercise price shall be the Market Price discounted by not more than:

    i. 20%; or

    ii. such other maximum discount as may be permitted under the Listing Manual of the Singapore Exchange Securities Trading Limited.

An option shall be exercisable on any date after the following date:

(a) where the option is granted without any discount:

    i. the second anniversary of the date of grant (for participants who have been employed for less than one year); or

    ii. the first anniversary of the date of grant (for all other participants);

(b) where the option is granted at a discount, the second anniversary of the date of grant,

and ending on a date not later than 10 years after the date of grant.

Pursuant to the provisions of the GuocoLand ESOS 2008, the GuocoLand ESOS 2008 expired on 20 November 2018. The expiration of the GuocoLand ESOS 2008 would not affect the options which were granted thereunder and remain unexercised on such expiration and option holders would still be able to exercise such options under the GuocoLand ESOS 2008 pursuant to the terms of grant thereof.

SHARE OPTIONS (cont'd)

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

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

Details of the options outstanding under the GuocoLand ESOS 2008 for the financial year ended 30 June 2020 are as follows:

		No. of GuocoLand shares comprised in options						
Grantees	Date of grant	As at 1 Jul 2019	Granted during the year	Exercised during the year	Lapsed during the year	As at 30 Jun 2020	Notes	Exercise price per GuocoLand share
Executive director								
Choong Yee How	8 December 2017	20,000,000	-	-	-	20,000,000	1 & 2	S$1.984
Other employees	8 December 2017	17,900,000	-	-	-	17,900,000	2	S$1.984
	Total	37,900,000	-	-	-	37,900,000		

Notes:

1. The board of directors of GuocoLand resolved that the exercise of the option in respect of 20,000,000 GuocoLand shares granted to Mr. Choong Yee How would be satisfied by the transfer of existing GuocoLand shares. Such option is not subject to Chapter 17 of the Listing Rules.

2. Each option shall be exercisable, in whole or in part, subject to vesting conditional on certain performance targets being met following the end of the performance period concluding in the financial year 2018/19 and 2020/21. The options may be exercisable and valid up to 30 months from the date of vesting.

(2) *GuocoLand Limited Executive Share Scheme 2018 (the "GuocoLand ESS 2018")*

The GuocoLand ESS 2018 was approved by the shareholders of GuocoLand on 25 October 2018 and further approved by the shareholders of the Company pursuant to Chapter 17 of the Listing Rules on 12 December 2018 (the "GuocoLand ESS Effective Date"). Under the GuocoLand ESS 2018, options over newly issued and/or existing GuocoLand shares may be granted ("GuocoLand Options") or free GuocoLand shares may be awarded ("GuocoLand Grants") to eligible participants including directors and executives of the GuocoLand Group. GuocoLand's non-executive directors, controlling shareholders and their associates, and the directors and employees of GuocoLand's controlling shareholders, associated companies, holding company and its subsidiaries (excluding the GuocoLand Group) are not eligible to participate in the GuocoLand ESS 2018.

The purposes of the GuocoLand ESS 2018 are as follows:

(a) to align the long term interests of selected eligible participants with those of the shareholders and to encourage such eligible participants to assume greater responsibility for the performance of the businesses that they manage;

(b) to motivate eligible participants towards strategic business objectives;

(c) to reward eligible participants with an equity stake in the success of the GuocoLand Group; and

(d) to make the total compensation package more competitive in order to attract, retain and motivate high calibre executives.

SHARE OPTIONS (cont'd)

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

(2) *GuocoLand Limited Executive Share Scheme 2018 (the "GuocoLand ESS 2018") (cont'd)*

The aggregate number of GuocoLand shares comprised in (a) exercised GuocoLand Options; (b) unexercised GuocoLand Options; (c) unexpired GuocoLand Option offers pending acceptances and unexpired GuocoLand Grant offers pending acceptances by the eligible participants; (d) outstanding GuocoLand Grants; (e) completed GuocoLand Grants; and (f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by GuocoLand which are still subsisting, shall not exceed 15% of the issued share capital of GuocoLand (excluding treasury shares) at the relevant time, provided that for so long as GuocoLand has a holding company listed on the Stock Exchange, the aggregate shall not exceed 10% of the issued share capital of GuocoLand (excluding treasury shares) at the relevant time and the total number of new GuocoLand shares which may be issued upon exercise of GuocoLand Options or vesting of GuocoLand Grants must not in aggregate exceed 10% of the issued share capital of GuocoLand as at the GuocoLand ESS Effective Date. As at the date of this Report, the total number of new GuocoLand shares available for issue under the GuocoLand ESS 2018 is 118,337,327 which represents approximately 10% of the issued share capital of GuocoLand.

The maximum entitlement for each eligible participant in respect of the total number of new GuocoLand shares to be issued upon the exercise of GuocoLand Options granted in any 12-month period shall not exceed 1% of the total number of issued GuocoLand shares immediately before such GuocoLand Option offer. The number of new GuocoLand shares to be issued upon vesting of GuocoLand Grant to each eligible participant is not subject to the aforesaid limit.

The grant of option to an eligible 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 remuneration committee of GuocoLand may at its discretion determine the exercise price of the GuocoLand Option, provided that the exercise price so fixed shall be the Market Price of GuocoLand shares immediately preceding the date of offer or, if discounted, shall not be at a discount of more than 20% to the Market Price.

The minimum period for (i) GuocoLand Options granted at a discount to the Market Price shall be at least 2 years from the date of offer; and (ii) other GuocoLand Options shall be at least 1 year from the date of offer. The exercise period of the GuocoLand Option shall not be more than 10 years from the date of offer of the GuocoLand Option.

Pursuant to the provisions of the GuocoLand ESS 2018, the GuocoLand ESS 2018 shall continue to be in force until 11 December 2028.

During the financial year ended 30 June 2020, no option had been granted pursuant to the GuocoLand ESS 2018.

SHARE OPTIONS (cont'd)

GL Limited ("GL")

(1) *GL 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 by the shareholders of the Company on 21 November 2008 (the "GL ESOS Effective Date") for the purpose of compliance with Chapter 17 of the Listing Rules. The GL ESOS 2008 allows the grant of options over newly issued and/or existing shares of GL to confirmed employees (including executive directors) of GL and its subsidiaries (collectively the "GL Group"). Non-executive directors of GL, directors and employees of associated companies of GL, and directors and employees of GL's controlling shareholders or their associates are not eligible to participate in the GL ESOS 2008.

The primary aim of the GL ESOS 2008 is to align the long term interests of the employees of GL Group with those of the shareholders of GL and to encourage such employees to assume greater responsibility for the performance of the businesses which they manage.

The remuneration committee of GL, comprising directors of GL who are not participants of GL ESOS 2008, administers the GL ESOS 2008.

The aggregate of: (a) the number of GL shares over which the remuneration committee of GL may grant options under the GL ESOS 2008 on any date; and (b) the number of GL shares transferred and to be transferred, and new shares issued and allotted and to be issued and allotted pursuant to all options granted under the GL ESOS 2008, shall not exceed 15% of the issued share capital of GL on the day preceding the date of grant of such options, provided that the aggregate of: (i) the number of new GL shares to be issued and allotted and over which the remuneration committee of GL may grant options under the GL ESOS 2008; and (ii) the number of new GL shares which have been issued and allotted or which are to be issued and allotted to meet 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 under GL ESOS 2008 is 136,806,363 which represents 10% of the issued share capital of GL.

The maximum entitlement of a participant in respect of the new GL shares issued and allotted and to be issued and allotted 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 the date of such grant.

The grant of an option to a participant shall be accepted within 30 days from the date on which such 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 Market Price of GL shares immediately prior to the date of grant of the relevant option for which there was trading in the GL shares. 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.

Pursuant to the provisions of the GL ESOS 2008, the GL ESOS 2008 expired on 20 November 2018. The expiration of the GL ESOS 2008 would not affect the options which were granted thereunder and remain unexercised on such expiration and option holders would still be able to exercise such options under the GL ESOS 2008 pursuant to the terms of grant thereof.

SHARE OPTIONS (cont'd)

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

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

Details of the options outstanding under GL ESOS 2008 for the financial year ended 30 June 2020 are as follows:

		No. of GL shares comprised in options						
Grantees	Date of grant	As at 1 Jul 2019	Granted during the year	Exercised during the year	Lapsed during the year	As at 30 Jun 2020	Notes	Exercise price per GL share
Eligible employees	3 April 2018	26,250,000	–	–	20,000,000	6,250,000	1 & 2	S$0.741
	Total	26,250,000	–	–	20,000,000	6,250,000		

Notes:

1. Upon the GL's remuneration committee's decision to vest and determination of the number of GL shares under the option to be vested ("Vested Option Shares"), subject to Note 2 below, the Vested Option Shares shall be exercisable within such periods (each an "Exercise Period") as follows:

   a. 40% of the Vested Option Shares are exercisable from the date of notification of entitlement for the Vested Option Shares ("Vesting Date") up to 2 months from the Vesting Date;

   b. another 40% of the Vested Option Shares are exercisable within 2 months from the 1st anniversary of the Vesting Date; and

   c. the remaining 20% of the Vested Option Shares are exercisable within 2 months from the 2nd anniversary of the Vesting Date.

   Any part of the Vested Option Shares not exercised within the relevant prescribed Exercise Period shall forthwith lapse.

2. Notwithstanding the vesting of any of the shares under the option, if the remuneration committee of GL considers that GL is not able to sustain its achievement in respect of the applicable performance targets post the relevant Vesting Date, the remuneration committee of GL may at its sole and absolute discretion without any compensation or liability to the grantee, revoke all or reduce the number of the Vested Option Shares exercisable by the grantee during the relevant prescribed Exercise Periods that have not commenced as at the date of notification of such revocation or reduction to the grantee.

(2) GL Limited Executives' Share Scheme 2018 ("GL ESS 2018")

The GL ESS 2018 was approved by the shareholders of GL on 25 October 2018 and further approved by the shareholders of the Company pursuant to Chapter 17 of the Listing Rules on 12 December 2018 (the "GL ESS Effective Date"). Under the GL ESS 2018, options over newly issued and/or existing GL shares may be granted ("GL Options") or free GL shares may be awarded ("GL Grants") to eligible participants including directors and executives of the GL Group. GL's non-executive directors, controlling shareholders and their associates, and the directors and employees of GL's controlling shareholders, associated companies, holding company and its subsidiaries (excluding the GL Group) are not eligible to participate in the GL ESS 2018.

The purposes of the GL ESS 2018 are as follows:

(a) to align the long term interests of selected eligible participants with those of the shareholders and to encourage such eligible participants to assume greater responsibility for the performance of the businesses that they manage;

(b) to motivate eligible participants towards strategic business objectives;

(c) to reward eligible participants with an equity stake in the success of the GL Group; and

(d) to make the total compensation package more competitive in order to attract, retain and motivate high calibre executives.

SHARE OPTIONS (cont'd)

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

(2) GL Limited Executives' Share Scheme 2018 ("GL ESS 2018") (cont'd)

The aggregate number of GL shares comprised in (a) exercised GL Options; (b) unexercised GL Options; (c) unexpired GL Option offers pending acceptances and unexpired GL Grant offers pending acceptances by the eligible participants; (d) outstanding GL Grants; (e) completed GL Grants; and (f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by GL which are still subsisting, shall not exceed 15% of the issued share capital of GL (excluding treasury shares) at the relevant time, provided that for so long as GL has a holding company listed on the Stock Exchange, the aggregate shall not exceed 10% of the issued share capital of GL (excluding treasury shares) at the relevant time and the total number of new GL shares which may be issued upon exercise of GL Options or vesting of GL Grants must not in aggregate exceed 10% of the issued share capital of GL as at the GL ESS Effective Date. As at the date of this Report, the total number of new GL shares available for issue under the GL ESS 2018 was 136,806,363, which represents 10% of the issued share capital of GL.

The maximum entitlement for each eligible participant in respect of the total number of new GL shares to be issued upon the exercise of GL Options granted in any 12-month period shall not exceed 1% of the total number of issued GL shares immediately before such GL Option offer. The number of new GL shares to be issued upon vesting of GL Grant to each eligible participant is not subject to the aforesaid limit.

The grant of option to an eligible 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 remuneration committee of GL may at its discretion determine the exercise price of the GL Option, provided that the exercise price so fixed shall be the Market Price of GL shares immediately preceding the date of offer or, if discounted, shall not be at a discount of more than 20% to the Market Price. The exercise price shall in no event be less than the nominal value of a GL share and where the exercise price determined according to the Market Price or discounted Market Price is less than the nominal value of a GL share, such exercise price shall be the nominal value.

The earliest commencement date of the exercise period for (i) GL Options granted at a discount to the Market Price shall be at least 2 years from the date of offer; and (ii) other GL Options shall be at least 1 year from the date of offer. The exercise period of the GL Option shall not be more than 10 years from the date of offer of the GL Option.

The GL ESS 2018 shall continue to be in force until 11 December 2028 pursuant to the provisions therein.

For the financial year ended 30 June 2020, no option had been granted pursuant to the GL ESS 2018.

GuocoLand (Malaysia) Berhad ("GLM")

Executive Share Scheme (the "GLM ESS")

The Executive Share Option Scheme of GLM (the "GLM ESOS") was approved by the shareholders of GLM on 11 October 2011 and further approved by the shareholders of the Company pursuant to Chapter 17 of the Listing Rules on 25 November 2011 (the "GLM Approval Date"). The GLM ESOS which took effect on 21 March 2012 (the "GLM Effective Date") allows the grant of options over newly issued and/or existing shares of GLM to eligible participants including executives and/or directors of GLM and its subsidiaries. It provides an opportunity for the eligible participants who have contributed to the growth and development of the GLM and its subsidiaries to participate in the equity of GLM.

The shareholders of GLM and the Company had subsequently on 21 October 2013 and 19 November 2013 respectively approved the amendments to the bye-laws of the GLM ESOS to incorporate an executive share grant scheme (the "GLM ESGS"). While the GLM ESGS is not subject to Chapter 17 of the Listing Rules, the GLM ESOS remains in compliance with the said Listing Rules. The GLM ESGS together with the GLM ESOS have been combined and renamed as the GLM ESS.

SHARE OPTIONS (cont'd)

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

Executive Share Scheme (the "GLM ESS") (cont'd)

The number of GLM shares over which the GLM's board of directors ("GLM Board") may grant options under the GLM ESOS and any other executive share option schemes of GLM shall not in aggregate exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of GLM from time to time provided that the total number of new GLM shares which may be issued upon exercise of options to be granted under the GLM ESOS shall not exceed 10% of the issued and paid up ordinary share capital of GLM as at the GLM Approval Date. Accordingly, the maximum number of new GLM shares available for issue over which options under the 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 an eligible 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 1% in nominal value of the issued and paid-up ordinary share capital of GLM as at any date of grant.

The grant of an option to an eligible participant shall be accepted within 30 days from such date of offer (or such longer period of time as may be permitted by the GLM Board at its discretion) accompanied by a payment of RM1.00 as nonrefundable 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 Market Price of GLM shares preceding the date of offer. An option shall be exercisable 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 Effective Date.

The GLM ESS shall continue to be in force until 20 March 2022.

Details of the options under the GLM ESS during the year ended 30 June 2020 are as follows:

		No. of GLM shares comprised in options						
Grantees	Date of grant	As at 1 Jul 2019	Granted during the year	Exercised during the year	Lapsed during the year	As at 30 Jun 2020	Notes	Exercise price per GLM share
Eligible participants	11 December 2017	18,000,000	-	-	-	18,000,000	1 & 2	RM1.16
	Total	18,000,000	-	-	-	18,000,000		

Notes:

1. The GLM Board has resolved that the exercise of the options in respect of all the 18,000,000 GLM shares would be satisfied by the transfer of existing GLM shares. Such options are not subject to Chapter 17 of the Listing Rules.

2. The vesting of the options granted is subject to the achievement of certain performance criteria by the grantees over two performance periods concluding at the end of the financial years ended/ending 30 June 2019 and 30 June 2021 respectively. The exercise period of the vested options will be up to the 30th month from the respective vesting dates to be determined.

REPORT OF THE DIRECTORS

SHARE OPTIONS (cont'd)

The Rank Group Plc ("Rank")

The Long Term Incentive Plan ("LTIP")

The rules of the LTIP were approved by Rank's shareholders on 22 April 2010 with amendments thereto approved on 22 April 2015. It was further approved by the shareholders of the Company pursuant to Chapter 17 of the Listing Rules on 24 November 2015 (the "LTIP Approval Date"). Further minor amendments to the rules were approved by Rank's shareholders on 25 April 2018. The LTIP is an equity-based incentive scheme pursuant to which eligible participants including executive directors and other senior executives of Rank and its subsidiaries may be granted awards (the "Awards"), including, among others, ordinary shares of Rank ("Rank Shares"), options ("Rank Options") and Company Share Option Plan ("CSOP") options or cash. It provides an opportunity for the eligible participants to participate in the equity of Rank with the aim of aligning their interests with those of Rank's shareholders through the creation of shareholder value over the long term.

Pursuant to the LTIP, the exercise of the Rank Options or CSOP options shall be satisfied through issue of new Rank Shares and/or transfer of existing Rank Shares out of treasury or otherwise. The rules of the LTIP pertaining to the grant of Rank Options and CSOP options, the exercise of which are to be satisfied by issue of new Rank Shares, are subject to Chapter 17 of the Listing Rules.

The total number of unissued Rank Shares in respect of which Awards may be granted under the LTIP shall not, when aggregated with (a) the number of Rank Shares issued, or capable of issue, pursuant to the Rank Options or CSOP options; and (b) other awards or rights granted under any other employees' share scheme adopted by Rank, exceed 10% of Rank's ordinary share capital as at the LTIP Approval Date. As at the date of this Report, the total number of new Rank Shares which can be issued pursuant to the Awards granted under LTIP or any other employees' share scheme adopted by Rank is 39,068,352 which represents 10% of the issued share capital of Rank.

Subject to the approval by the shareholders of the Company in accordance with the Listing Rules, no eligible participant may be granted a Rank Option or a CSOP option or other Awards if such grant would entitle that eligible participant to acquire a number of Rank Shares in any 12-month period representing more than 1% of the ordinary share capital of Rank from time to time.

Subject to the directors of Rank having determined the extent to which any performance target has been satisfied, an Award shall vest on or as soon as practicable following the date or dates set out in the award certificate (or in the absence of any such date or dates being expressed in the award certificate, the third anniversary of the date of grant). Following its vesting, a Rank Option or a CSOP option shall remain exercisable so long as the Rank Option holder or CSOP option holder is an eligible participant at any time until the day before the tenth anniversary of the date of grant unless otherwise determined by the directors of Rank on or before the date of grant. A Rank Option or a CSOP option shall lapse automatically if it remains unexercised on its expiry.

In respect of a Rank Option, the exercise price per Rank Share to be paid by the Rank Option holder on the exercise of the Rank Option (subject to any subsequent adjustment pursuant to any variation of capital of Rank) shall be: (a) nil; (b) the nominal value of a Rank Share; or (c) such other price at the discretion of the directors of Rank, save that if and to the extent that the Rank Option is to be satisfied by the issue of new Rank Shares directly to the Rank Option holder, the exercise price of the Rank Options shall be not less than the nominal value of a Rank Share. In respect of a CSOP option, the exercise price per Rank Share under CSOP option to be paid by the CSOP option holder shall be not less than the market value of a Rank Share on the date of grant. If and to the extent that the exercise of the CSOP option is to be satisfied by the issue of new Rank Shares, such exercise price shall be not less than the nominal value of a Rank Share.

The LTIP continued to be in force for a period of 10 years commencing from the date on which the LTIP was approved by Rank's shareholders. It expired on 21 April 2020 and no further grants may therefore be made under the rules of this particular scheme.

During the financial year ended 30 June 2020, no Rank Option or CSOP option had been granted pursuant to the LTIP.

SHARE OPTIONS (cont'd)

Others

During the year, Mr. TANG Hong Cheong and Mr. KWEK Leng San had acquired and held shares of certain subsidiaries of HLCM in pursuance of executive share option/award schemes maintained by Hong Leong Group companies.

Apart from disclosed in this Report, at no time during the year was the Company, any of its parent companies, its subsidiary undertakings or subsidiary undertakings of its parent companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2020, other than the interests and short positions of the Directors 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. Certain information herein is based on additional information of the relevant events on or before 30 June 2020 with disclosure made after 30 June 2020.

Shareholders	Capacity	Number of shares/ underlying shares	Notes	Approx. % of total number of shares in issue
QUEK Leng Chan ("QLC")	Personal interests	1,056,325 (Long Position)	1	
	Interest of controlled corporations	249,225,792 (Long Position)		
	Total interests	250,282,117		76.06%
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	248,625,792 (Long Position)	2 & 3	75.55%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	248,625,792 (Long Position)	3 & 4	75.55%
Hong Leong Investment Holdings Pte Ltd ("HLInvt")	Interest of controlled corporations	248,625,792 (Long Position)	3 & 5	75.55%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	248,625,792 (Long Position)	3 & 6	75.55%
KWEK Leng Kee ("KLK")	Interest of controlled corporations	248,625,792 (Long Position)	3 & 7	75.55%
Elliott Capital Advisors, L.P. ("ECA")	Interest of controlled corporations	29,635,716 (Long Position)	8	9.01%
First Eagle Investment Management, LLC ("FEIM")	Investment Manager	23,024,846 (Long Position)	9	6.99%
Credit Suisse Group AG ("CS")	Interest of controlled corporations	20,176,729 (Long Position)	10	6.13%
		20,154,729 (Short Position)		6.13%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (cont'd)

Notes:

1. The interest of controlled corporation of QLC comprised 242,008,117 ordinary shares of the Company and 8,274,000 underlying shares of other unlisted cash settled derivatives, and were directly held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	236,524,930
GuoLine (Singapore) Pte Ltd ("GSL")	8,274,000
Asian Financial Common Wealth (PTC) Limited ("AFCW")	3,826,862
Chaghese Limited ("CL")	600,000

AFCW was wholly owned by Guoco Management Company Limited which in turn was wholly owned by the Company. The Company was 71.88% owned by GOL. GOL and GSL were wholly owned by GuoLine Capital Assets Limited ("GCAL"). GCAL was wholly owned by HLCM. HLCM was 49.11% owned by QLC as to 2.43% under his personal name and 46.68% via HLH which was wholly owned by him. CL was wholly owned by QLC.

2. The interests of HLCM comprised 240,351,792 ordinary shares of the Company and 8,274,000 underlying shares of other unlisted cash settled derivatives, and were directly held by GOL, GSL and AFCW as set out in Note 1 above.

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

4. HLH was deemed to be interested in these interests through its controlling interests of 46.68% in HLCM as set out in Notes 1 and 2 above.

5. HLInvt was deemed to be interested in these interests through its controlling interests of 34.49% in HLCM.

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

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

8. ECA was deemed to be interested in these interests comprising 19,263,215 shares held by Elliott International L.P. ("EILP") and 10,372,501 shares held by The Liverpool Limited Partnership ("LLP"). EILP was 100% controlled by Hambledon, Inc. which in turn was 100% controlled by ECA for these purposes. LLP was 100% controlled by Liverpool Associates, Ltd. which in turn was 100% controlled by Elliott Associates, L.P. which was 100% controlled by ECA.

9. FEIM was deemed to be interested in these interests held by various management accounts and funds controlled by it.

10. Among these interests 15,000 shares (long position) and 7,000 shares (long position) are directly held by Credit Suisse (Hong Kong) Limited and Credit Suisse AG respectively. 20,143,729 shares (long position) and 20,143,729 shares (short position) are directly held by Credit Suisse Securities (USA) LLC. 11,000 shares (long position) and 11,000 shares (short position) are directly held by Credit Suisse Securities (Europe) Limited. All the above companies are direct/indirect wholly owned subsidiaries of CS. CS is therefore deemed to be interested in these interests.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any person (other than the Directors) 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 7 July 2017 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 include, among other things, overview and/or oversight of businesses and operations, investment management and financial management disciplines, treasury and risk management, key managerial recruitment and retention as well as other operating practices and procedures, accounting, corporate advisory, legal, company secretarial and other services (the "Services"):

1. the master services agreement entered into by the Company with GuoLine Group Management Co. Limited ("GGMC") for the provision of the Services by GGMC to the subsidiaries of the Company excluding the subsidiaries incorporated, resident or having principal place of business in Hong Kong and Malaysia (the "GGMC Agreement");

2. the master services agreement entered into by the Company with GOMC Limited ("GOMC") for the provision of the Services by GOMC to the Company and its subsidiaries incorporated, resident or having principle place of business in Hong Kong (the "GOMC Agreement"); and

3. the master services agreement entered into by the Company with HL Management Co. Sdn Bhd ("HLMC") for the provision of the Services by HLMC to the subsidiaries of the Company incorporated, resident or having principal place of business in Malaysia (the "HLMC Agreement"),

(collectively, the "Master Services Agreements").

The Master Services Agreements are for a term of three financial years from 1 July 2017 to 30 June 2020.

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 3% of the annual profit before tax of the Company or such service recipient as shown in its audited profit and loss account for the relevant financial year, subject to appropriate adjustment (for example, to avoid double counting of profit), 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$503 million for each of the three financial years ended 30 June 2020.

GGMC, GOMC and HLMC are direct or indirect wholly owned subsidiaries of HLCM, the ultimate holding company and a substantial shareholder of the Company, and thus they are associates of a connected person (as defined under the Listing Rules) of the Company under the Listing Rules. The transactions under the Master Services Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Master Services Agreements (cont'd)

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 normal commercial terms; 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 Agreement	43,416
GOMC Agreement	2,040
HLMC Agreement	686
Total:	46,142
	(<HK$503 million)

The aggregate services fees paid and payable by the Group under the Master Services Agreements for the year amounted to approximately HK$46.1 million which did not exceed the annual cap of HK$503 million as disclosed in the announcement of the Company dated 7 July 2017.

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 Asset Management Berhad, Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, Hong Leong Bank Vietnam Limited, Hong Leong Bank (Cambodia) PLC and Hong Leong Investment Bank Berhad (each and collectively, "Hong Leong Financial Institution(s)"):

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

2. purchase of and/or subscription by the Group for debt securities and investment products issued by Hong Leong Financial Institutions,

(collectively, the "Banking Transactions").

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Banking Transactions (cont'd)

As part of its principal investment and treasury operations, the Group from time to time places deposits with many financial institutions worldwide and purchases and/or subscribes for fixed income, debt securities and investment products issued by financial institutions and other corporations. The Banking Transactions are conducted 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.

The outstanding balance of Banking Transactions shall be subject to a maximum cap amount of US$194 million or its equivalent in other currencies at any time during the three financial years ending 30 June 2021.

Hong Leong Financial Institutions are indirect subsidiaries of HLCM, the ultimate holding company and a substantial shareholder of the Company and thus Hong Leong Financial Institutions are associates of a connected person of the Company under the Listing Rules. The Banking Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

From time to time during the year, the Group entered into deposit transactions which involved placing of deposits (including savings, current and other deposits in various currencies) with Hong Leong Financial Institutions as the deposit accepting banks (the "Deposit Transactions"). The Deposit 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. During the year, the interest rate for the savings and time deposits for various currencies placed by the Group with Hong Leong Financial Institutions ranged from 0% to 6% per annum, and the tenor of the time deposits ranged from overnight to 12 months.

As at 30 June 2020, the balance of deposits placed with Hong Leong Financial Institutions and investment products issued by Hong Leong Financial Institutions purchased by the Group was approximately US$39.8 million and US$3.6 million respectively, totalling US$43.4 million.

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

a. during the year, there is no subscription for or purchase by the Group of debt securities issued by Hong Leong Financial Institutions;

b. during the year, the maximum relevant aggregate amount of (i) the outstanding balance of deposits placed by the Group with Hong Leong Financial Institutions; and (ii) debt securities and investment products issued by Hong Leong Financial Institutions purchased and/or subscribed by the Group, was approximately US$74.6 million which did not exceed the cap amount of US$194 million or its equivalent as disclosed in the announcement of the Company dated 12 July 2018; and

c. the Deposit Transactions were entered into:

   - in the ordinary and usual course of business of the Group;
   - on normal commercial terms or better; 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.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Master Distribution Agreement

A master distribution agreement dated 27 March 2020 was entered into by Manuka Health New Zealand Limited ("MHNZ", together with its subsidiaries, the "MH Group"), an indirect wholly owned subsidiary of the Company, and Lam Soon (Hong Kong) Limited ("LSHK", together with its subsidiaries, the "LSHK Group") (the "Master Distribution Agreement") pursuant to which MH Group companies as the principals (the "Principal") may during the term of the Master Distribution Agreement agree to specific appointments of LSHK Group companies to be the distributor(s) (the "Distributor") of the full range of products of the MH Group (the "Products") in the People's Republic of China and such other jurisdictions as the parties may agree to be included from time to time (the "Territory").

The Master Distribution Agreement is for a term commencing from 27 March 2020 to 30 June 2022 (both dates inclusive).

Pursuant to the Master Distribution Agreement, the selling prices of the Products shall be based on the standard wholesale price list of the Principal from time to time and subject to negotiation between the Principal and the Distributor on an arm-length basis based on normal and reasonable commercial terms and take into account the price which would be offered by the Principal to other independent distributors of similar channels in the Territory as the case may be.

The total amount of sales of Products under the Master Distribution Agreement shall be subject to the following annual caps:

	Annual Caps HK$ million
During the period from 27 March 2020 to 30 June 2020 (the "Period")	60
For the year ending 30 June 2021	120
For the year ending 30 June 2022	140

LSHK is an indirect subsidiary of HLCM, the ultimate holding company and a substantial shareholder of the Company and thus LSHK is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions under the Master Distribution Agreement constitute continuing connected transactions for the Company under the Listing Rules.

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

a. the transactions under the Master Distribution Agreement for the year were entered into:

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

   - on normal commercial terms; 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 amount of the sales of Products by the Principal to the Distributors under the Master Distribution Agreement for the period from 27 March 2020 to 30 June 2020 was HK$3.6 million which did not exceed the relevant annual cap of HK$60 million for the Period as disclosed in the announcement of the Company dated 27 March 2020.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Auditor's Review

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions as mentioned above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 61 to 65 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transactions

Joint Venture Agreement for a Property Project of Land Parcel – River Valley Close in Singapore

On 27 December 2019, a joint venture agreement (the "RVC JV Agreement") was entered into by GuocoLand (Singapore) Pte. Ltd. ("GSL"), a wholly owned subsidiary of GuocoLand Limited (the "GuocoLand", the Company's 66.8% owned subsidiary listed on Singapore Exchange Securities Trading Limited), Intrepid Investments Pte. Ltd. ("Intrepid"), Hong Realty (Private) Limited ("HRPL") (collectively the "JV Shareholders") as well as Carmel Development Pte. Ltd. ("CDPL"), whereby the JV Shareholders agreed to jointly participate in the acquisition and re-development of all that piece of freehold land situated at 8, 16, 24 and 32 River Valley Close, Pacific Mansions, Singapore with a site area of 11,924.3 square meters together with all the building or buildings erected or to be erected thereon (the "Property"). The agreed shareholding proportions in CDPL held by GSL, Intrepid and HRPL are 40%, 40% and 20% respectively.

Pursuant to the RVC JV Agreement, CDPL is the joint venture company to undertake the acquisition and re-development of the Property, including among other things, the enbloc acquisition from independent third parties of the Property through a tender at an accepted tender price of S$980,000,000 and the proposed re-development of the Property into 2 towers of 36-storey apartments (total: 376 units) with landscape deck, common basement carparks and common facilities.

The total funding commitment of GSL is S$143,191,332, comprising share capital of S$1,600,000 and a shareholder's loan of S$141,591,332.

Intrepid is a wholly owned subsidiary of Hong Leong Holdings Ltd. ("HLHL") which is in turn a subsidiary of Hong Leong Investment Holdings Pte. Ltd., ("HLIL", a deemed substantial shareholder of the Company) and HRPL is also a subsidiary of HLIL. As HLIL is a deemed substantial shareholder of the Company, Intrepid and HRPL are associates of a connected person of the Company as defined under Chapter 14A of the Listing Rules. The RVC JV Agreement therefore constitutes a connected transaction of the Company.

Details of the transaction are set out in the announcement of the Company dated 30 December 2019.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Connected Transactions (cont'd)

Joint Venture Agreements for a Property Project – a Land Parcel at Tan Quee Lan Street in Singapore

On 27 December 2019, GLL D Pte. Ltd. ("GLL D", an indirect wholly owned subsidiary of GuocoLand), Intrepid and HRPL (collectively the "JV Parties") together with the respective project companies, namely, MTG Apartments Pte. Ltd. ("MTG Apartments") and MTG Retail Pte. Ltd ("MTG Retail") entered into the joint venture agreements ("TQL JV Agreements"), whereby the JV Parties agreed to jointly participate in the acquisition and development of all that parcel of land situated at Tan Quee Lan Street of Singapore with a site area of 11,530.8 square metres (the "Land"). The agreed shareholding proportions in each of MTG Apartments and MTG Retail held by GLL D, Intrepid and HRPL are 60%, 30% and 10% respectively.

Pursuant to the TQL JV Agreements, MTG Apartments and MTG Retail, as the approved developers of the Land, are the joint venture companies to undertake the acquisition and development of the Land, including among other things, the completion of acquisition of the Land and proposed development of the Land into a luxury condominium with commercial at the first storey. The Land was awarded by the Urban Redevelopment Authority of Singapore through a tender at the price of S$800,190,000. MTG Apartments shall be responsible for the development of the residential component and MTG Retail shall be responsible for the development of the commercial component of the Project.

The total funding commitment of GLL D is S$169,997,115.

Intrepid is a wholly owned subsidiary of HLHL which is in turn a subsidiary of HLIL and HRPL is also a subsidiary of HLIL. As HLIL is a deemed substantial shareholder of the Company, Intrepid and HRPL are associates of a connected person of the Company as defined under Chapter 14A of the Listing Rules. The TQL JV Agreements therefore constitutes a connected transaction of the Company.

Details of the transaction are set out in the announcement of the Company dated 30 December 2019.

Disposal of an Office Building – Menara Guoco

On 2 March 2020, a conditional sale and purchase agreement (the "Menara Agreement") was entered into by DC Offices Sdn. Bhd. ("DC Offices", an indirect wholly owned subsidiary of GuocoLand (Malaysia) Berhad ("GLM") which in turn is the Company's indirect subsidiary listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia")) and MTrustee Berhad ("MTrusee", acting in the capacity as trustee of Tower Real Estate Investment Trust ("Tower REIT", a real estate investment trust listed on the Main Market of Bursa Malaysia)).

Pursuant to the Menara Agreement, DC Offices agreed to sell and MTrustee agreed to purchase an office building known as Menara Guoco, a 19-storey office building erected on part of that piece of freehold land held under Geran 74955, Lot 58303 in the Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur, Malaysia with a total net lettable area of 232,133 square feet at a cash consideration of RM242,100,000.

MTrustee is the trustee of Tower REIT of which HLCM is a deemed major unitholder. As HLCM is the ultimate holding company and a substantial shareholder of the Company, MTrustee is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The disposal of Menara Guoco therefore constitutes a connected transaction of the Company under the Listing Rules.

Details of the transaction are set out in the announcement of the Company dated 2 March 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. KWEK Leng Hai and Mr. KWEK Leng San are directors and shareholders 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. Mr. TANG Hong Cheong is a director of HL Holdings Sdn Bhd, a deemed substantial shareholder of the Company by virtue of its controlling interest in HLCM.

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 as at the date of this Report.

AUDITOR

A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2020 AGM.

By Order of the Board

TANG Hong Cheong
President & CEO

Hong Kong, 15 September 2020

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Guoco Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 74 to 189, which comprise the consolidated statement of financial position as at 30 June 2020, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF HOTEL PROPERTIES, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS RELATED TO HOSPITALITY AND LEISURE BUSINESSES

Refer to notes 14, 15 and 16 to the consolidated financial statements and the accounting policies in notes 2(e), 2(f), 2(h) and 2(k)(ii).

The Key Audit Matter

The Group owns, leases and manages a number of hotels located in the United Kingdom which are measured at cost less accumulated depreciation and impairment losses. The Group also operates gaming and leisure businesses and holds casino, other gaming licences and concessions in the United Kingdom, as well as a smaller number in Spain and Belgium, the majority of which are classified as intangible assets with indefinite useful lives.

As at 30 June 2020, the carrying values of hotel properties, capitalised casino, other gaming licences and concessions and related right-of-use assets totalled US$2,413 million in aggregate, representing 15% of the Group's total assets as at that date.

The estimation of the recoverable amount of each cash generating unit ("CGU") to which these assets have been allocated is sensitive to the key assumptions applied, which include occupancy rates and revenue per available room in deriving the projected cash flows for hotel properties and related right-of-use assets; customer visits, win margins and spend per head in deriving the projected cash flows for right-of-use assets related to casinos and casino, other gaming licences and concessions, growth rates and the discount rates applied.

The current economic environment in the United Kingdom has put pressure on hotel room rates and occupancy levels and customer visits and spend per head for casinos.

We identified assessing potential impairment provision of hotel properties, intangible assets and right-of-use assets related to hospitality and leisure businesses as a key audit matter because of the significant level of management judgement required to be exercised in determining the assumptions adopted in the impairment assessments which can be inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of hotel properties, intangible assets and right-of-use assets related to hospitality and leisure businesses included the following:

- evaluating the Group's identification of CGUs and the amounts of hotel properties, casino, other gaming licences and concessions and right-of use- assets related to hospitality and leisure businesses allocated to each CGU;
- evaluating the Group's process for identification of indicators of potential impairment of hotel properties and related right-of-use assets;
- assessing whether the Group's impairment assessment models were prepared in accordance with the requirements of the prevailing accounting standards;
- with the involvement of our internal valuation specialists, assessing the valuation methodology adopted by the Group and comparing the key assumptions applied in the computation of recoverable amounts with external economic forecast incorporating COVID-19 impact and available industry data, which included occupancy rates and revenue per available room for hotel properties and related right-of-use assets and customer visits, win margins and spend per head for right-of-use assets related to casinos, casino, other gaming licences and concessions;
- assessing the growth rates and discount rates adopted in the impairment assessments by comparing them with historical rates, external economic forecast and available industry data, taking into consideration comparability and market factors;
- evaluating the historical accuracy of management's calculations of the recoverable amounts of each CGU by comparing the forecasts at the end of the previous financial year for key assumptions and estimates with the actual outcomes pre-COVID-19 in the current year and evaluating the reasonableness of management's forecasts for financial performance post COVID-19, by comparison with external economic forecast with the involvement of our internal economy specialist; and
- determining the extent of change in those estimates that, either individually or collectively, would be required for each CGU to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

VALUATION OF INVESTMENT PROPERTIES

Refer to note 14 to the consolidated financial statements and the accounting policies in note 2(g).

The Key Audit Matter	How the matter was addressed in our audit
The Group owns a portfolio of investment properties, comprising commercial properties in Hong Kong, Singapore, Malaysia and China. As at 30 June 2020, the carrying value of investment properties was US$3,688 million, representing 22% of the Group's total assets as at that date. The fair values of the Group's investment properties were assessed by management based on independent valuations prepared by external property valuers. The net changes in fair value of investment properties in the consolidated income statement represented 60% of the Group's loss before taxation for the year ended 30 June 2020. We identified valuation of investment properties as a key audit matter because the determination of the fair values involves significant judgement and estimation, particularly in selecting the appropriate valuation methodology and in determining the underlying assumptions, which increase the risk of error or potential management bias, and because the valuations are sensitive to the key assumptions applied, including those relating to capitalisation rate, comparable sales prices, the discount rates applied and terminal yield rates.	Our audit procedures to assess the valuation of investment properties included the following: • evaluating the qualifications, experience and competence of the external property valuers engaged by management and holding discussions with the external property valuers, without the presence of management, to understand their valuation methods and the impact of COVID-19 on the assumptions applied; • assessing the rental information used in the valuations by comparing specific details with underlying leases and externally available industry data; and • with the involvement of internal property valuation specialists, evaluating the valuation methodology used by the external property valuers based on our knowledge of other property valuers for similar types of properties, assessing the key assumptions adopted in the valuations, including those relating to capitalisation rate, comparable sales price, the discount rates applied and terminal yield rates, by comparing them with historical rates and available industry data, taking into consideration comparability and market factors and conditions, and considering the possibility of error or management bias in the selection of assumptions adopted, on a sample basis.

VALUATION OF DEVELOPMENT PROPERTIES AND PROPERTIES HELD FOR SALE

Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies in notes 2(i).

The Key Audit Matter	How the matter was addressed in our audit
The Group's development properties and properties held for sale mainly comprise residential properties in the course of development and completed properties in Singapore, Malaysia and China. As at 30 June 2020 the carrying values of development properties and properties held for sale totalled US$2,992 million in aggregate, representing 18% of the Group's total assets as at that date. Development properties and properties held for sale are stated at the lower of their cost and net realisable value ("NRV"). The assessment of NRV of development properties and properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast selling prices and estimated costs to complete the development of the properties. The uncertain macro-economic outlook and market sentiments might exert downward pressure on property prices given the current economic slowdown and prevailing government policies in the jurisdictions in which the development properties are located. Total development costs may also vary with market conditions and unforeseen circumstances may arise during construction leading to cost overruns. We identified valuation of development properties and properties held for sale as a key audit matter because the assessment of NRV is inherently subjective and requires significant management judgement and estimation in relation to forecasting selling prices, development costs and selling expenses, which increases the risk of error or potential management bias.	Our audit procedures to assess the valuation of development properties and properties held for sale included the following: • evaluating the Group's estimated total development costs, by comparing the costs with contracts and related agreements, taking into consideration the costs incurred to date, construction progress and any significant deviation in design plans or cost overruns; • assessing the Group's forecast selling prices, by comparison with recent transacted sales prices for the same project and/or comparable properties in the vicinity of the development and considering the possibility of error or management bias; and • conducting site visits to development properties on a sample basis to observe the development progress.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Board Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Po Shan.

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

15 September 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 US$'000	2019 US$'000	2020 HK$'000 (note 1(c))	2019 HK$'000 (note 1(c))
Turnover	5	2,160,611	2,526,682	16,744,951	19,725,680
Revenue	5	1,889,079	2,238,337	14,640,551	17,474,585
Cost of sales		(1,031,007)	(1,179,209)	(7,990,407)	(9,206,026)
Other attributable costs		(78,096)	(74,529)	(605,252)	(581,844)
		779,976	984,599	6,044,892	7,686,715
Other revenue	6(a)	83,207	37,120	644,863	289,794
Other net losses	6(b)	(241,835)	(15,181)	(1,874,245)	(118,517)
Administrative and other operating expenses		(610,592)	(582,179)	(4,732,149)	(4,545,042)
Profit from operations before finance costs		10,756	424,359	83,361	3,312,950
Finance costs	7(a)	(158,489)	(121,005)	(1,228,306)	(944,680)
(Loss)/profit from operations		(147,733)	303,354	(1,144,945)	2,368,270
Valuation (deficit)/surplus on investment properties	14	(33,269)	157,562	(257,838)	1,230,079
Share of profits of associates and joint ventures	7(c)	125,641	121,535	973,730	948,818
(Loss)/profit for the year before taxation	7	(55,361)	582,451	(429,053)	4,547,167
Taxation	8(a)	(41,678)	(32,934)	(323,009)	(257,114)
(Loss)/profit for the year		(97,039)	549,517	(752,062)	4,290,053
Attributable to:					
Equity shareholders of the Company		(112,607)	431,501	(872,716)	3,368,708
Non-controlling interests		15,568	118,016	120,654	921,345
(Loss)/profit for the year		(97,039)	549,517	(752,062)	4,290,053
(Loss)/earnings per share		US$	US$	HK$	HK$
Basic	12	(0.35)	1.33	(2.68)	10.36
Diluted	12	(0.35)	1.33	(2.68)	10.36

The notes on pages 82 to 189 form part of these financial statements. Details of dividends paid to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020 US$'000	2019 US$'000	2020 HK$'000 (note 1(c))	2019 HK$'000 (note 1(c))
(Loss)/profit for the year	(97,039)	549,517	(752,062)	4,290,053
Other comprehensive income for the year (after tax and reclassification adjustments)				
Items that will not be reclassified to profit or loss:				
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(227,363)	(510,674)	(1,762,086)	(3,986,806)
Actuarial losses on defined benefit obligation	(3,037)	(6,304)	(23,537)	(49,215)
	(230,400)	(516,978)	(1,785,623)	(4,036,021)
Items that may be reclassified subsequently to profit or loss:				
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	(200,350)	(157,388)	(1,552,733)	(1,228,720)
Exchange translation reserve reclassified to profit or loss upon disposal of subsidiaries	(35)	5,861	(271)	45,757
Changes in fair value of cash flow hedge	153	2,754	1,186	21,500
Changes in fair value on net investment hedge	(1,183)	5,001	(9,168)	39,043
Decrease in fair value of properties	(4,744)	–	(36,766)	–
Transfer upon disposal of Executive Share Option Scheme ("ESOS") shares	–	2,591	–	20,228
Share of other comprehensive income of associates	5,441	5,386	42,168	42,048
	(200,718)	(135,795)	(1,555,584)	(1,060,144)
Other comprehensive income for the year, net of tax	(431,118)	(652,773)	(3,341,207)	(5,096,165)
Total comprehensive income for the year	(528,157)	(103,256)	(4,093,269)	(806,112)
Total comprehensive income for the year attributable to:				
Equity shareholders of the Company	(472,886)	(168,543)	(3,664,913)	(1,315,804)
Non-controlling interests	(55,271)	65,287	(428,356)	509,692
	(528,157)	(103,256)	(4,093,269)	(806,112)

The notes on pages 82 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Note	2020 US$'000	2019 US$'000	2020 HK$'000 (note 1(c))	2019 HK$'000 (note 1(c))
NON-CURRENT ASSETS					
Investment properties	14	3,687,736	3,798,843	28,580,323	29,657,377
Other property, plant and equipment	14	1,629,915	1,792,341	12,632,004	13,992,717
Right-of-use assets	15	708,722	–	5,492,666	–
Interest in associates and joint ventures	18	1,579,687	1,536,863	12,242,732	11,998,213
Equity investments at FVOCI	20	1,166,364	1,367,021	9,039,438	10,672,265
Deferred tax assets	34	56,830	26,131	440,438	204,003
Intangible assets	16	959,272	975,916	7,434,454	7,618,927
Goodwill	21	367,756	314,111	2,850,146	2,452,249
Pensions surplus	32	6,182	7,100	47,911	55,429
		10,162,464	9,818,326	78,760,112	76,651,180
CURRENT ASSETS					
Development properties	22	2,639,370	1,971,687	20,455,381	15,392,862
Properties held for sale	23	352,887	448,533	2,734,910	3,501,675
Inventories	24	61,191	58,066	474,236	453,318
Contract assets	25	29,186	25,963	226,194	202,692
Trade and other receivables	26	270,799	251,498	2,098,719	1,963,432
Tax recoverable	8(d)	1,856	–	14,384	–
Trading financial assets	27	1,242,924	1,637,001	9,632,785	12,779,985
Cash and short term funds	28	1,606,407	1,789,796	12,449,815	13,972,848
Assets held for sale	29	56,468	–	437,633	–
		6,261,088	6,182,544	48,524,057	48,266,812
CURRENT LIABILITIES					
Contract liabilities	25	14,446	15,654	111,958	122,210
Trade and other payables	30	544,400	564,398	4,219,155	4,406,227
Bank loans and other borrowings	31	982,404	714,656	7,613,729	5,579,284
Taxation	8(d)	48,875	43,866	378,786	342,460
Provisions and other liabilities	32	31,804	24,084	246,484	188,023
Lease liabilities	33	69,286	–	536,973	–
		1,691,215	1,362,658	13,107,085	10,638,204
NET CURRENT ASSETS		4,569,873	4,819,886	35,416,972	37,628,608
TOTAL ASSETS LESS CURRENT LIABILITIES		14,732,337	14,638,212	114,177,084	114,279,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Note	2020 US$'000	2019 US$'000	2020 HK$'000 (note 1(c))	2019 HK$'000 (note 1(c))
NON-CURRENT LIABILITIES					
Bank loans and other borrowings	31	3,824,933	3,815,959	29,643,613	29,791,001
Amount due to non-controlling interests		336,585	304,796	2,608,567	2,379,527
Provisions and other liabilities	32	14,064	47,955	108,997	374,382
Deferred tax liabilities	34	73,041	84,132	566,075	656,814
Lease liabilities	33	933,319	–	7,233,316	–
		5,181,942	4,252,842	40,160,568	33,201,724
NET ASSETS		9,550,395	10,385,370	74,016,516	81,078,064
CAPITAL AND RESERVES					
Share capital	35(c)	164,526	164,526	1,275,093	1,284,446
Reserves		7,076,795	7,793,723	54,845,869	60,845,206
Total equity attributable to equity shareholders of the Company		7,241,321	7,958,249	56,120,962	62,129,652
Non-controlling interests		2,309,074	2,427,121	17,895,554	18,948,412
TOTAL EQUITY		9,550,395	10,385,370	74,016,516	81,078,064

Approved and authorised for issue by the Board of Directors on 15 September 2020.

Kwek Leng Hai
Tang Hong Cheong
Directors

The notes on pages 82 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Attributable to equity shareholders of the Company													
	Share capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contributed surplus US$'000	ESOS reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Hedging reserve US$'000	Revaluation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 30 June 2019	164,526	10,493	(70,589)	2,806	(39,017)	2,152	(427,686)	(189,884)	(5,278)	51,342	8,459,384	7,958,249	2,427,121	10,385,370
Effect of changes of accounting policies - adopting Hong Kong Financial Reporting Standard ("HKFRS") 16 (note 4)	-	-	-	-	-	-	1,591	-	-	-	(90,120)	(88,529)	(43,162)	(131,691)
Adjusted balance at 1 July 2019	164,526	10,493	(70,589)	2,806	(39,017)	2,152	(426,095)	(189,884)	(5,278)	51,342	8,369,264	7,869,720	2,383,959	10,253,679
Loss for the year	-	-	-	-	-	-	-	-	-	-	(112,607)	(112,607)	15,568	(97,039)
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	-	(131,129)	-	-	-	-	(131,129)	(69,221)	(200,350)
Exchange translation reserve reclassified to profit or loss upon disposal of subsidiary	-	-	-	-	-	-	438	-	-	-	-	438	(473)	(35)
Changes in fair value of equity investments at FVOCI	-	-	-	-	-	-	-	(227,363)	-	-	-	(227,363)	-	(227,363)
Transfer upon disposal of equity investment at FVOCI	-	-	-	-	-	-	-	2,013	-	-	(2,013)	-	-	-
Changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	48	-	-	48	105	153
Changes in fair value on net investment hedge	-	-	-	-	-	-	-	-	(849)	-	-	(849)	(334)	(1,183)
Actuarial losses on defined benefit obligation	-	-	-	-	-	-	-	-	-	-	(2,121)	(2,121)	(916)	(3,037)
Decrease in fair value of properties	-	-	-	-	-	-	-	-	-	(4,744)	-	(4,744)	-	(4,744)
Share of other comprehensive income of associates	-	-	(5,221)	-	-	-	3,385	7,804	(224)	-	(303)	5,441	-	5,441
Total comprehensive income for the year	-	-	(5,221)	-	-	-	(127,306)	(217,546)	(1,025)	(4,744)	(117,044)	(472,886)	(55,271)	(528,157)
Transfer between reserves	-	-	(558)	-	-	-	-	-	-	-	558	-	-	-
Equity-settled share-based transactions	-	-	-	-	-	953	-	-	-	-	-	953	657	1,610
Acquisition of additional interests in subsidiaries	-	-	(55)	-	-	55	(1,091)	-	19	94	24,580	23,602	(63,858)	(40,256)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	269	269
Distribution payment for perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	(13,177)	(13,177)
Accrued distribution for perpetual securities	-	-	-	-	-	-	-	-	-	-	(13,566)	(13,566)	13,566	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	48,986	48,986
Capitalisation of shareholders' loan from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	35,806	35,806
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(41,863)	(41,863)
Final dividend paid in respect of the prior year	-	-	-	-	-	-	-	-	-	-	(124,620)	(124,620)	-	(124,620)
Interim dividend paid in respect of the current year	-	-	-	-	-	-	-	-	-	-	(41,882)	(41,882)	-	(41,882)
At 30 June 2020	164,526	10,493	(76,423)	2,806	(39,017)	3,160	(554,492)	(407,430)	(6,284)	46,692	8,097,290	7,241,321	2,309,074	9,550,395

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Attributable to equity shareholders of the Company													
	Share capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contributed surplus US$'000	ESOS reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Hedging 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 2018	164,526	10,493	(70,907)	2,806	(41,056)	304	(332,594)	321,296	(10,217)	51,342	8,203,933	8,299,926	2,415,953	10,715,879
Profit for the year	-	-	-	-	-	-	-	-	-	-	431,501	431,501	118,016	549,517
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	-	(109,383)	-	-	-	-	(109,383)	(48,005)	(157,388)
Exchange translation reserve reclassified to profit or loss upon disposal of a subsidiary	-	-	-	-	-	-	11,283	-	-	-	-	11,283	(5,422)	5,861
Changes in fair value of equity investments at FVOCI	-	-	-	-	-	-	-	(510,666)	-	-	-	(510,666)	(8)	(510,674)
Transfer upon disposal of equity investment at FVOCI	-	-	-	-	-	-	-	(12,637)	-	-	12,637	-	-	-
Changes in fair value of cash flow hedge	-	-	-	-	-	-	-	-	1,820	-	-	1,820	934	2,754
Changes in fair value on net investment hedge	-	-	-	-	-	-	-	-	3,262	-	-	3,262	1,739	5,001
Actuarial losses on defined benefit obligation	-	-	-	-	-	-	-	-	-	-	(4,337)	(4,337)	(1,967)	(6,304)
Transfer upon disposal of ESOS shares	-	-	-	-	2,039	-	-	-	-	-	552	2,591	-	2,591
Share of other comprehensive income of associates	-	-	(6,342)	-	-	-	(635)	12,123	(143)	-	383	5,386	-	5,386
Total comprehensive income for the year	-	-	(6,342)	-	2,039	-	(98,735)	(511,180)	4,939	-	440,736	(168,543)	65,287	(103,256)
Transfer between reserves	-	-	6,660	-	-	-	3,643	-	-	-	(10,303)	-	-	-
Equity-settled share-based transactions	-	-	-	-	-	1,848	-	-	-	-	-	1,848	1,084	2,932
Share capital reduction in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(191)	(191)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	5,250	5,250	(15,508)	(10,258)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	2,231	2,231
Distribution payment for perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	(13,530)	(13,530)
Accrued distribution for perpetual securities	-	-	-	-	-	-	-	-	-	-	(14,250)	(14,250)	14,250	-
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(42,455)	(42,455)
Final dividend paid in respect of the prior year	-	-	-	-	-	-	-	-	-	-	(124,591)	(124,591)	-	(124,591)
Interim dividend paid in respect of the current year	-	-	-	-	-	-	-	-	-	-	(41,391)	(41,391)	-	(41,391)
At 30 June 2019	164,526	10,493	(70,589)	2,806	(39,017)	2,152	(427,686)	(189,884)	(5,278)	51,342	8,459,384	7,958,249	2,427,121	10,385,370

The notes on pages 82 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 US$'000	2019 US$'000
Operating activities			
(Loss)/profit for the year before taxation		(55,361)	582,451
Adjustments for:			
– Finance costs	7(a)	158,489	121,005
– Interest income	5	(34,563)	(54,885)
– Dividend income	5	(60,907)	(166,012)
– Depreciation charged on other property, plant and equipment	7(c)	77,718	78,446
– Depreciation charged on right-of-use assets	7(c)	52,679	–
– Amortisation of intangible assets	7(c)	39,752	23,937
– Equity-settled share-based payment expenses	7(b)	2,124	3,839
– Impairment loss recognised on other property, plant and equipment	7(c)	22,547	11,818
– Impairment loss recognised on intangible assets	7(c)	17,676	11,761
– Impairment loss recognised on right-of-use assets	7(c)	37,596	–
– Impairment loss recognised on interest in joint ventures	7(c)	33,938	–
– Write down of development properties	7(c)	24,139	–
– Write back of provision for impairment loss on interest in an associate	6(b)	–	(25,370)
– Valuation deficit/(surplus) on investment properties	14	33,269	(157,562)
– Share of profits of associates and joint ventures	7(c)	(125,641)	(121,535)
– Net (gains)/losses on disposal of property, plant and equipment	6(b)	(90,709)	142
– Net (gains)/losses on liquidation of subsidiaries	6(b)	(4)	23,327
– Net gain on disposal of subsidiaries	6(b)	(2,020)	(17,208)
Operating profit before changes in working capital		130,722	314,154
(Increase)/decrease in trade and other receivables		(30,489)	163,490
Decrease in trading financial assets		394,687	20,226
(Increase)/decrease in equity investment at FVOCI		(10,767)	632
Increase in development properties		(718,169)	(290,207)
Decrease in properties held for sale		80,041	233,835
(Increase)/decrease in contract assets		(4,041)	118,820
Increase in inventories		(5,710)	(394)
Increase in provisions and other liabilities		11,183	8,381
Decrease in contract liabilities		(715)	(9,010)
Increase/(decrease) in trade and other payables		32,173	(111,775)
Cash (used in)/generated from operations		(121,085)	448,152
Interest received		37,108	61,298
Dividend received from equity investments		57,653	94,587
Taxation			
– Hong Kong Profits Tax paid		(12)	(789)
– Overseas tax paid		(49,023)	(76,784)
Net cash (used in)/generated from operating activities		(75,359)	526,464

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 US$'000	2019 US$'000
Investing activities			
Net advance to associates and joint ventures		(7,135)	(104,225)
Purchase of property, plant and equipment		(58,638)	(82,595)
Additions in investment properties under development		(57,057)	(21,502)
Purchase of intangible assets		(23,298)	(14,825)
Acquisition of subsidiaries	36(a)	(105,586)	(330,778)
Acquisition of additional interests in subsidiaries		(40,256)	(10,258)
Proceeds from disposal of subsidiaries	36(b)	–	30,040
Proceeds from disposal of property, plant and equipment		156,213	5,122
Proceeds from disposal of ESOS shares		–	2,591
Dividends received from associates and joint ventures		9,989	30,002
Decrease in fixed deposits with maturity over three months		167,368	417,636
Net cash from/(used in) investing activities		41,600	(78,792)
Financing activities			
Net proceeds from/(repayment of) bank loans and other borrowings		395,604	(346,690)
Decrease/(increase) in cash collateral		2,635	(403)
Net repayment of issuance of perpetual securities by a subsidiary		(13,177)	(13,530)
Share capital reduction in a subsidiary		–	(191)
Capital contribution from non-controlling interests		48,986	–
Advance from non-controlling interests		62,047	–
Capital element of lease rentals paid		(36,830)	–
Interest element of lease rentals paid		(48,327)	–
Interest paid		(155,184)	(160,801)
Dividends paid to non-controlling interests by subsidiaries		(41,863)	(42,455)
Dividends paid to equity shareholders of the Company		(166,502)	(165,982)
Net cash from/(used in) financing activities		47,389	(730,052)
Net increase/(decrease) in cash and cash equivalents		13,630	(282,380)
Cash and cash equivalents at 1 July		1,611,452	1,935,323
Effect of foreign exchange rate changes		(26,835)	(41,491)
Cash and cash equivalents at 30 June	28(a)	1,598,247	1,611,452

The notes on pages 82 to 189 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. Significant accounting policies adopted by the Group are disclosed.

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 2020 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis 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 judgements, 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 and consolidated 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 recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the group's revenue and other income recognition policies are as follows:

(i) Sale of properties

The Group develops and sells residential projects to customers through fixed-price contracts. Revenue is recognised when the control over the residential project has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the residential project over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The residential projects have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the residential project. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed residential project is delivered to the customers and the customers have accepted it in accordance with the sales contract.

Under certain payment schemes, the time when payments are made by the buyer and the transfer of control of the property to the buyer do not coincide and where the difference between the timing of receipt of the payments and the satisfaction of a performance obligation is 12 months or more, the entity adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the entity uses a discount rate that would reflect that of a separate financing transaction between the entity and its customer at contract inception. A finance income or finance expense will be recognised depending on the arrangement. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is 12 months or less.

Revenue is measured at the transaction price agreed under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Revenue recognition (cont'd)

(ii) Rental income from operating leases

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

(iii) Sales of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(iv) 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.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

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

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

(viii) Revenue from hotel operations is recognised in profit or loss on an accrual basis, upon services being rendered. Revenue from hotel operations includes room rental, income earned from sales of food and beverages, rendering of laundry services and other miscellaneous income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 joint ventures, are as follows:

Investments in debt and equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 38(f). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(a)(v)).

- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value at profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(a)(iv).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments (cont'd)

(ii) Subsidiaries and non-controlling interests

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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 the non-controlling interests' 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) or (n) 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 joint venture (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 joint ventures

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 joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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, after adjusting, where necessary to ensure consistency with the Group's accounting policies.

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, 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)).

In the Company's statement of financial position, investments in associates and joint ventures 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, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note below).

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(ii) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the borrowings is recognised in other comprehensive income and accumulated in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 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)).

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 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) Other property, plant and equipment 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) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are 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 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 measured 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)(ii).

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

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)). The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(a)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Property development

Cost and net realisable values are determined as follows:

– *Property under development for sale*

  The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed property held for resale*

  The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

  In the case of completed properties developed by the group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Other inventories

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Inventories (cont'd)

Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(i)), property, plant and equipment (see note 2(f)) or intangible assets (see note 2(e)). Incremental costs of obtaining a contract are those costs that the group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(a).

(j) Contract assets and contract liabilities

A contract asset is recognised when the group recognises revenue (see note 2(a)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue (see note 2(a)). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(a)).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);
- contract assets as defined in HKFRS 15; and
- lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

In measuring ECLs, the group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments, contract assets and lease receivables (cont'd)

Measurement of ECLs (cont'd)

For all other financial instruments (including loan commitments issued), the group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments, contract assets and lease receivables (cont'd)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(a)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Credit losses and impairment of assets (cont'd)

(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:

- other property, plant and equipment, including right-of-use assets (other than properties carried at revalued amounts);
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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 of disposal 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).

- *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 of disposal (if measurable) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the group's accounting policy for borrowing costs (see note 2(t)).

(m) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)(i)).

(n) 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(u)(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.

(o) Perpetual securities

The perpetual securities do not have a maturity date and coupon payment is optional at the discretion of the Group. As the Group does not have a contractual obligation to repay the principal nor make any distributions, perpetual securities are classified as equity.

Any distributions made are treated as dividends and directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

(p) 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. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(k)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Income tax (cont'd)

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.

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.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated 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 (see note 2(c)(ii)).

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 measured.

The results of foreign operations are translated into United States dollars at the average exchange rates for the year. Items presented in the consolidated statement of financial position, including goodwill arising on consolidation of foreign operations acquired, 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)

(s) 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

A defined benefit retirement plan is a post-employment benefit retirement plan other than a defined contribution retirement plan. The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on AAA credit rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed at least once every three years by a qualified actuary and informal valuations are carried out in the intervening years using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit retirement plans in staff cost in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss earlier of when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) 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 a share option reserve with 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 options, the total estimated fair value of the 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 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 the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(t) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) 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.

Financial guarantees issued are initially recognised within trade and other payables at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. 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.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in 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(u)(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(u)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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)

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

(iv) Onerous contracts

The Group is a party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous.

(v) Related parties

(i) A person, or a close member of that person's family, is related to the group if that person:

(a) has control or joint control over the group;

(b) has significant influence over the group; or

(c) is a member of the key management personnel of the group or the group's parent.

(ii) An entity is related to the group if any of the following conditions applies:

(a) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group which it is a part, provides key management personnel services to the group or to the group's parent.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) 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.

(x) Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systemactic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit of loss as 'other income' on a systematic basic in the same periods in which the expenses are recognised.

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 14)

At the end of reporting period, investment properties are stated at fair value based on the valuation performed by 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.

(b) Impairment of assets

The Group tests at least annually whether goodwill and casino licences that have indefinite useful lives have suffered any impairment. Hotel properties, casino licences and brand names with definite useful lives 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 or fair value less cost to sell. There are a number of assumptions and estimates involved in the calculations.

(c) Development properties and properties held for sale (notes 22 and 23)

The Group's development properties comprise residential properties in the course of development and properties held for sale comprise completed properties in Singapore, Malaysia, China and Vietnam. Development properties and properties held for sale are stated at the lower of their cost and their net realisable value ("NRV"). The determination of the NRV of a development property in the course of development is dependent on the Group's forecast selling price for the property and estimated costs to complete the development of the property. The costs to complete the development of the property is in turn derived from the Group's estimate of the total development costs of the property less the actual expenditure incurred. The determination of the NRV of a completed property is dependent on the Group's forecast selling price for the property.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(d) Income taxes (notes 8 and 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.

(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 benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The calculation is performed annually 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.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit retirement 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.

4. CHANGES IN ACCOUNTING POLICIES

Overview

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

4. CHANGES IN ACCOUNTING POLICIES (cont'd)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

4. CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) Changes in the accounting policies (cont'd)

(ii) Lessee accounting (cont'd)

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and

- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("Investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 30 June 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

4. CHANGES IN ACCOUNTING POLICIES (cont'd)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification of interest in leasehold land and buildings held for own use

In accordance with HKAS 16, *Property, plant and equipment*, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies. Specifically, rights to use properties under tenancy agreements are carried at depreciated cost.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation.

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.67%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020;

4. CHANGES IN ACCOUNTING POLICIES (cont'd)

(c) Transitional impact (cont'd)

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 30 June 2019 US$'000	Adjustments US$'000	Carrying amount at 1 July 2019 US$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	1,792,341	(5,364)	1,786,977
Intangible assets	975,916	(2,398)	973,518
Right-of-use assets	–	811,844	811,844
Other receivables	–	4,985	4,985
Deferred tax assets	26,131	23,972	50,103
Total non-current assets	**9,818,326**	**833,039**	**10,651,365**
Trade and other receivables	251,498	(12,005)	239,493
Total current assets	**6,182,544**	**(12,005)**	**6,170,539**
Trade and other payables	564,398	(28,953)	535,445
Provision and other liabilities	24,084	(5,144)	18,940
Bank loans and other borrowings	714,656	(2,327)	712,329
Lease liabilities	–	56,861	56,861
Current liabilities	**1,362,658**	**20,437**	**1,383,095**
Net current assets	**4,819,886**	**(32,442)**	**4,787,444**
Total assets less current liabilities	**14,638,212**	**800,597**	**15,438,809**
Trade and other payables	–	(32,919)	(32,919)
Provision and other liabilities	47,955	(33,132)	14,823
Bank loans and other borrowings	3,815,959	(7,434)	3,808,525
Lease liabilities	–	1,005,773	1,005,773
Total non-current liabilities	**4,252,842**	**932,288**	**5,185,130**
Net assets	**10,385,370**	**(131,691)**	**10,253,679**
Retained profits	8,459,384	(90,120)	8,369,264
Exchange translation reserve	(427,686)	1,591	(426,095)
Total equity attributable to equity shareholders of the Company	**7,958,249**	**(88,529)**	**7,869,720**
Non-controlling interests	2,427,121	(43,162)	2,383,959
Total equity	**10,385,370**	**(131,691)**	**10,253,679**

4. CHANGES IN ACCOUNTING POLICIES (cont'd)

(c) Transitional impact (cont'd)

When measuring liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019.

	US$'000
Operating lease commitments at 30 June 2019	1,292,422
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(1,204)
– leases of low-value assets	(3,113)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	1,573,517
	2,861,622
Less: total future interest expenses	(1,798,988)
Total lease liabilities recognised at 1 July 2019	1,062,634

(d) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 July 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year is shown below.

	US$'000
Increase in depreciation expenses	52,679
Decrease in rental expenses	(85,157)
Increase in finance costs	48,327
Increase in loss for the year	15,849

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

	US$'000
Increase in cash flow from operating activities	85,157
Decrease in cash flow from financing activities	(85,157)

5. TURNOVER AND REVENUE

The Company is an investment holding and investment management company. 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 businesses.

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

	2020 US$'000	2019 US$'000
Revenue from sale of properties	556,406	619,071
Revenue from hospitality and leisure	1,066,182	1,265,187
Interest income	34,563	54,885
Dividend income	60,907	166,012
Rental income from properties	87,765	89,332
Revenue from sales of goods	76,234	35,981
Others	7,022	7,869
Revenue	1,889,079	2,238,337
Proceeds from sale of investments in securities	271,532	288,345
Turnover	2,160,611	2,526,682

6. OTHER REVENUE AND NET LOSSES

(a) Other revenue

	2020 US$'000	2019 US$'000
Sublease income	4,533	4,572
Bass Strait oil and gas royalty	25,161	29,226
Hotel management fee	520	718
Income from forfeiture of deposit from sale of properties	996	1,829
Government grants	43,526	–
Interest income on value-added tax claim	6,290	–
Others	2,181	775
	83,207	37,120

6. OTHER REVENUE AND NET LOSSES (cont'd)

(b) Other net losses

	2020 US$'000	2019 US$'000
Net realised and unrealised losses on trading financial assets	(305,621)	(47,466)
Net realised and unrealised losses on derivative financial instruments	(50,788)	(2,462)
Net losses on foreign exchange contracts	(12,429)	(1,041)
Other exchange gains	14,249	14,775
Net gains/(losses) on disposal of property, plant and equipment	90,709	(142)
Net gains/(losses) on liquidation of subsidiaries	4	(23,327)
Net gain on disposal of subsidiaries (note 36(b))	2,020	17,208
Write back of provision for impairment loss on interest in an associate (note)	–	25,370
Gain from additional proceeds from complusory acquisition of a hotel property	15,757	–
Other income	4,264	1,904
	(241,835)	(15,181)

Note:

As at 30 June 2019, the recoverable amount of interest in an associate was assessed to be higher than its impaired carrying amount, write back of provision for impairment loss on interest in an associate had been recognised accordingly.

7. (LOSS)/PROFIT FOR THE YEAR BEFORE TAXATION

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

(a) Finance costs

	2020 US$'000	2019 US$'000
Interest on bank loans and other borrowings	164,388	167,513
Interest on lease liabilities	48,327	–
Other borrowing costs	11,667	13,594
Total borrowing costs	224,382	181,107
Less: borrowing costs capitalised into:		
– development properties	(31,996)	(29,526)
– investment properties	(33,897)	(30,576)
Total borrowing costs capitalised (note)	(65,893)	(60,102)
	158,489	121,005

Note:

These borrowing costs have been capitalised at rates of 1.07% to 7.25% per annum (2019: 2.70% to 7.25%).

(b) Staff cost

	2020 US$'000	2019 US$'000
Salaries, wages and other benefits	362,619	401,892
Contributions to defined contribution retirement plans	12,881	12,768
Expenses recognised in respect of defined benefit retirement plans	87	328
Equity-settled share-based payment expenses	2,124	3,839
	377,711	418,827

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

(c) Other items

	2020 US$'000	2019 US$'000
Depreciation		
– other property, plant and equipment	77,718	78,446
– right-of-use assets	52,679	–
Impairment losses recognised		
– other property, plant and equipment (note a)	22,547	11,818
– intangible assets (note a)	17,676	11,761
– right-of-use assets (note a)	37,596	–
– Interest in a joint venture (note b)	33,938	–
Amortisation		
– customer relationship, licences and brand names	12,072	3,189
– casino licences and brand names	768	1,555
– Bass Strait oil and gas royalty	2,882	3,073
– other intangible assets	24,030	16,120
Cost of inventories recognised in cost of sales	37,295	24,203
Write down of development properties	24,139	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17		
– properties	–	65,369
– others	–	1,547
Expense relating to short-term leases and other leases with remaining lease term ending on or before 30 June 2020	2,047	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	956	–
Auditors' remuneration		
– audit services	2,964	2,488
– tax services	55	25
– other services	300	104
Donations	2,086	1,672
Gross rental income from investment properties (note 5)	(87,765)	(89,332)
Less: direct outgoings	18,907	20,778
Net rental income	(68,858)	(68,554)
Share of profits of associates and joint ventures:		
– associates	(110,425)	(118,699)
– joint ventures	(15,216)	(2,836)
	(125,641)	(121,535)

Notes:

a. The COVID-19 pandemic has greatly impacted our hospitality and leisure operations. All of our hotels and casino venues in the United Kingdom and the international venues were closed in March 2020 following the COVID-19 outbreak which was considered as an impairment indicator. The hotel assets and casino venue assets (included in other property, plant and equipment, intangible assets and right-of-use assets) are reviewed for impairment based on the estimation of the recoverable amount of each individual cash generating unit ("CGU") to which these assets have been allocated. The Group estimates the recoverable amount of hotel assets and casino venue assets using the value in use derived from discounted cash flow projections of the CGUs. The estimation of value in use of hotel assets involves the projection of EBITDA forecast, long term revenue growth of 1.5% and maintenance capital expenditure over a period, and discounting the income stream with a pre-tax discount rate of 9.8%. The assumptions in estimation of value in use of casino venue assets include an extrapolation of recent cost inflation trends, known inflation trends such as national living wage and an expectation that costs will be incurred in line with agreed contractual rates, long term revenue growth rates of 0 to 2.0% and pre-tax discount rates of 10.5% to 14.0%.

b. At the end of the reporting period, an impairment assessment of an investment in a joint venture – EcoWorld International Berhad, which is a joint venture undertaken by our subsidiary, GuocoLand Limited. It is principally engaged in property development in international market mainly in the United Kingdom and Australia. The Group estimated its recoverable amount, taking into consideration the expected profits from the sold properties and the expected selling prices of the remaining properties held by the joint venture through its investees. Based on the assessment, the Group recognised an impairment loss of US$33.9 million (2019: nil) for the financial year ended 30 June 2020, reflecting the weaker market sentiments in the United Kingdom and Australia.

8. TAX EXPENSES

(a) Taxation in the consolidated income statement represents:

	2020 US$'000	2019 US$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	494	523
Over-provision in respect of prior years	(3)	(8)
	491	515
Current tax – Overseas		
Provision for the year	56,550	91,186
Under/(over)-provision in respect of prior years	1,347	(14,232)
	57,897	76,954
Deferred tax		
Origination and reversal of temporary differences	(17,922)	(44,975)
Effect of changes in tax rate on deferred tax balances	1,212	440
	(16,710)	(44,535)
	41,678	32,934

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year ended 30 June 2020. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

8. TAX EXPENSES (cont'd)

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

	2020 US$'000	2019 US$'000
(Loss)/profit for the year before tax	(55,361)	582,451
Notional tax on (loss)/profit before tax, calculated at the rates applicable to profits in the countries concerned	(202)	97,001
Tax effect of non-deductible expenses	68,980	29,502
Tax effect of non-taxable income	(36,995)	(89,791)
Tax effect of unused tax losses not recognised	5,656	9,498
Tax effect of utilisation of tax losses not previously recognised	(615)	(2,039)
Tax effect of unrecognised deductible temporary differences	2,970	2,710
Tax effect of utilisation of other deductible temporary differences not previously recognised	(1)	(565)
Tax effect of changes in tax rate on deferred tax balances	1,212	440
Under/(over)-provision in respect of prior years	1,344	(14,240)
Others	(671)	418
Taxation	41,678	32,934

(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 ended 30 June 2020 and 2019.

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

	2020 US$'000	2019 US$'000
Hong Kong Profits Tax	149	–
Overseas taxation	1,707	–
Tax recoverable	1,856	–
Hong Kong Profits Tax	1,183	697
Overseas taxation	47,692	43,169
Taxation payable	48,875	43,866

9. DIRECTORS' EMOLUMENTS

Directors' emoluments comprise 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 are as below:

Name	Fees US$'000	Salaries, allowances and benefits in kind[1] US$'000	Discretionary bonuses US$'000	Pension contributions US$'000	Total emoluments US$'000
2020					
Kwek Leng Hai	– [2]	1,594	1,283	–	2,877
Tang Hong Cheong	– [2]	1,269	1,283	90	2,642
Kwek Leng San *	– [2]	–	–	–	–
Volker Stoeckel **	25	–	–	–	25
Roderic N. A. Sage **	68	–	–	–	68
David Michael Norman **	58	–	–	–	58
Huang Lester Garson **[3]	36	–	–	–	36
	187	2,863	2,566	90	5,706

Name	Fees US$'000	Salaries, allowances and benefits in kind[1] US$'000	Discretionary bonuses US$'000	Pension contributions US$'000	Total emoluments US$'000
2019					
Kwek Leng Hai	– [2]	1,593	6,623	–	8,216
Tang Hong Cheong	– [2]	1,269	2,297	90	3,656
Kwek Leng San *	– [2]	–	–	–	–
Tan Lim Heng *[4]	19	–	–	–	19
Volker Stoeckel **	64	–	–	–	64
Roderic N. A. Sage **	66	–	–	–	66
David Michael Norman **	55	–	–	–	55
	204	2,862	8,920	90	12,076

Notes:

* Non-executive director

** Independent non-executive director

(1) Benefits in kind include insurance premium and motor vehicle expenses

(2) No directors' fees have been paid to any salaried directors employed by the Company or its related corporations

(3) Appointed as independent non-executive director after the conclusion of the 2019 annual general meeting

(4) Retired as non-executive director by rotation at the annual general meeting on 12 December 2018

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, two (2019: two) are directors of the Company whose emoluments are disclosed in note 9. The emoluments of the other three (2019: three) individuals are as follows:

	2020 US$'000	2019 US$'000
Salaries, allowances and benefits in kind	2,660	2,637
Discretionary bonuses	1,391	2,034
Share-based payment expenses	–	334
Pension contributions	26	83
	4,077	5,088

The number of individuals whose emolument falls within the following bands are:

US$	2020 Number of individuals	2019 Number of individuals
950,001 – 1,000,000	1	–
1,000,001 – 1,050,000	1	–
1,050,001 – 1,100,000	–	1
1,200,001 – 1,250,000	–	1
2,050,001 – 2,100,000	1	–
2,800,001 – 2,850,000	–	1
	3	3

11. DIVIDENDS

	2020 US$'000	2019 US$'000
Dividends payable/paid in respect of the current year:		
– Interim dividend of HK$1.00 (2019: HK$1.00) per ordinary share	41,882	41,391
– Proposed final dividend of HK$1.50 (2019: HK$3.00) per ordinary share	63,687	126,446
	105,569	167,837
Dividends paid in respect of the prior year:		
– Final dividend of HK$3.00 (2019: HK$3.00) per ordinary share	124,620	124,591

The final dividend for the year ended 30 June 2020 of US$63,687,000 (2019: US$126,446,000) is calculated based on 329,051,373 ordinary shares (2019: 329,051,373 ordinary shares) in issue as at 30 June 2020.

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.

12. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of US$112,607,000 (2019: profit of US$431,501,000) and the weighted average number of 325,224,511 ordinary shares (2019: 325,142,319 ordinary shares) in issue during the year.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share equalled the basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 30 June 2020 and 2019.

13. SEGMENT REPORTING

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

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, Vietnam and Hong Kong.	Subsidiaries, associates and joint ventures
Hospitality and leisure:	This segment owns, leases or manages hotels and operates gaming and leisure businesses in the United Kingdom, Spain and Belgium.	Subsidiaries
Financial services:	This segment covers commercial and consumer banking, Islamic banking, investment banking, life and general insurance, Takaful insurance, fund management and unit trust, corporate advisory services and stockbroking.	Associate

Other segments include royalty entitlement of Bass Strait's oil and gas production and manufacture, marketing and distribution of health products. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2020 or 2019.

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 the financial year 2018/19.

13. SEGMENT REPORTING (cont'd)

Information regarding the Group's reportable segments 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 US$'000	Financial services US$'000	Others US$'000	Total US$'000
For the year ended 30 June 2020						
Turnover	350,578	665,504	1,068,289	–	76,240	2,160,611
Disaggregated by timing of revenue						
– Point in time	79,046	113,592	1,068,289	–	76,240	1,337,167
– Over time	–	551,912	–	–	–	551,912
Revenue from external customers	79,046	665,504	1,068,289	–	76,240	1,889,079
Inter-segment revenue	4,601	2,660	–	–	–	7,261
Reportable segment revenue	83,647	668,164	1,068,289	–	76,240	1,896,340
Reportable segment operating (loss)/profit	(240,094)	177,226	41,385	–	36,763	15,280
Finance costs	(16,082)	(70,379)	(71,390)	–	(5,162)	(163,013)
Valuation deficit on investment properties	–	(33,269)	–	–	–	(33,269)
Share of profits of associates and joint ventures	–	13,899	–	111,742	–	125,641
(Loss)/profit before taxation	(256,176)	87,477	(30,005)	111,742	31,601	(55,361)
For the year ended 30 June 2019						
Turnover	482,234	741,582	1,266,884	–	35,982	2,526,682
Disaggregated by timing of revenue						
– Point in time	193,889	217,718	1,266,884	–	35,982	1,714,473
– Over time	–	523,864	–	–	–	523,864
Revenue from external customers	193,889	741,582	1,266,884	–	35,982	2,238,337
Inter-segment revenue	1,210	6,676	–	–	–	7,886
Reportable segment revenue	195,099	748,258	1,266,884	–	35,982	2,246,223
Reportable segment operating profit	116,994	166,468	100,257	–	20,752	404,471
Finance costs	(26,050)	(71,179)	(25,965)	–	(3,293)	(126,487)
Valuation surplus on investment properties	–	157,562	–	–	–	157,562
Write back of provision for impairment loss on interest in an associate	–	–	–	25,370	–	25,370
Share of profits of associates and joint ventures	–	3,561	–	117,974	–	121,535
Profit before taxation	90,944	256,412	74,292	143,344	17,459	582,451

13. 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 US$'000	Financial services US$'000	Others US$'000	Total US$'000
At 30 June 2020						
Reportable segment assets	3,286,984	7,662,032	3,559,267	–	335,582	14,843,865
Interest in associates and joint ventures	–	341,844	–	1,237,843	–	1,579,687
Total assets	3,286,984	8,003,876	3,559,267	1,237,843	335,582	16,423,552
Reportable segment liabilities	589,638	4,259,279	1,863,940	–	160,300	6,873,157
At 30 June 2019						
Reportable segment assets	3,951,663	7,196,634	2,969,750	–	345,960	14,464,007
Interest in associates and joint ventures	–	364,954	–	1,171,909	–	1,536,863
Total assets	3,951,663	7,561,588	2,969,750	1,171,909	345,960	16,000,870
Reportable segment liabilities	899,418	3,679,274	935,685	–	101,123	5,615,500

Other information

	Principal investment US$'000	Property development and investment US$'000	Hospitality and leisure US$'000	Financial services US$'000	Others US$'000	Total US$'000
2020						
Interest income	22,443	14,531	2,107	–	6	39,087
Depreciation and amortisation	5,058	2,182	149,903	–	13,006	170,149
Additions to non-current segment assets	156	92,224	83,685	–	4,382	180,447
2019						
Interest income	33,254	25,415	1,697	–	1	60,367
Depreciation and amortisation	4,187	3,654	86,757	–	7,785	102,383
Additions to non-current segment assets	137	56,901	77,228	–	407	134,673

Major customers

During the years ended 30 June 2020 and 2019, there is no major customer accounting for more than 10% of the total revenue of the Group.

13. SEGMENT REPORTING (cont'd)

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

Revenue

	2020 US$'000	2019 US$'000
Reportable segment revenue	1,896,340	2,246,223
Elimination of inter-segment revenue	(7,261)	(7,886)
Consolidated revenue (note 5)	1,889,079	2,238,337

Finance costs

	2020 US$'000	2019 US$'000
Reportable finance costs	163,013	126,487
Elimination of inter-segment finance costs	(4,524)	(5,482)
Consolidated finance costs (note 7(a))	158,489	121,005

Interest income

	2020 US$'000	2019 US$'000
Reportable interest income	39,087	60,367
Elimination of inter-segment interest income	(4,524)	(5,482)
Consolidated interest income (note 5)	34,563	54,885

(c) Geographical information

The following table illustrates the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and pensions surplus ("specified non-current assets"). The geographical information is classified by reference to the location of the income generating entities.

	Revenue from external customers		Specified non-current assets	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
The People's Republic of China				
– Hong Kong	83,761	198,435	299,036	329,113
– Mainland China	9,364	97,148	82,310	152,423
United Kingdom and Continental Europe	1,061,954	1,225,792	2,926,198	2,232,060
Singapore	578,607	586,939	3,870,805	3,919,862
Australasia and others	155,393	130,023	1,754,739	1,784,616
	1,889,079	2,238,337	8,933,088	8,418,074

14. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

	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 2018	3,568,977	1,150,323	538,143	998,872	2,687,338	6,256,315
Acquisition of subsidiaries (note 36(a))	-	138,224	8,826	21,529	168,579	168,579
Additions	52,078	6,696	29,885	46,014	82,595	134,673
Reversal	-	(2,929)	(1,850)	-	(4,779)	(4,779)
Disposals and written off	-	(4,898)	(2,036)	(13,330)	(20,264)	(20,264)
Disposal of a subsidiary (note 36(b))	-	-	-	(539)	(539)	(539)
Fair value adjustments	157,562	-	-	-	-	157,562
Exchange adjustments	20,226	(31,006)	(18,148)	(34,980)	(84,134)	(63,908)
At 30 June 2019	3,798,843	1,256,410	554,820	1,017,566	2,828,796	6,627,639
Representing:						
Cost	-	1,256,410	554,820	1,017,566	2,828,796	2,828,796
Valuation - 2019	3,798,843	-	-	-	-	3,798,843
	3,798,843	1,256,410	554,820	1,017,566	2,828,796	6,627,639
Original stated at 30 June 2019	3,798,843	1,256,410	554,820	1,017,566	2,828,796	6,627,639
Changes in accounting policies (note 4)	-	(16,145)	-	(14,784)	(30,929)	(30,929)
As stated at 1 July 2019	3,798,843	1,240,265	554,820	1,002,782	2,797,867	6,596,710
Acquisition of subsidiaries (note 36(a))	-	-	-	715	715	715
Additions	90,955	4,044	814	53,780	58,638	149,593
Transfer to assets held for sale (note 29)	(56,468)	-	-	-	-	(56,468)
Disposals and written off	-	(81,376)	(164)	(20,645)	(102,185)	(102,185)
Fair value adjustments	(33,269)	-	-	-	-	(33,269)
Exchange adjustments	(112,325)	(34,440)	(18,876)	(30,496)	(83,812)	(196,137)
At 30 June 2020	3,687,736	1,128,493	536,594	1,006,136	2,671,223	6,358,959
Representing:						
Cost	-	1,128,493	536,594	1,006,136	2,671,223	2,671,223
Valuation - 2020	3,687,736	-	-	-	-	3,687,736
	3,687,736	1,128,493	536,594	1,006,136	2,671,223	6,358,959

14. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (cont'd)

	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 depreciation and impairment loss						
At 1 July 2018	-	200,524	54,403	737,630	992,557	992,557
Acquisition of subsidiaries (note 36(a))	-	-	440	7,069	7,509	7,509
Charge for the year	-	20,220	5,431	52,795	78,446	78,446
Written back on disposals and written off	-	(1,866)	(938)	(12,196)	(15,000)	(15,000)
Written back through disposal of a subsidiary (note 36(b))	-	-	-	(280)	(280)	(280)
Impairment loss recognised	-	759	6,536	4,523	11,818	11,818
Exchange adjustments	-	(9,747)	(2,114)	(26,734)	(38,595)	(38,595)
At 30 June 2019	-	209,890	63,758	762,807	1,036,455	1,036,455
Original stated at 30 June 2019	-	209,890	63,758	762,807	1,036,455	1,036,455
Changes in accounting policies (note 4)	-	(12,914)	-	(12,651)	(25,565)	(25,565)
As stated at 1 July 2019	-	196,976	63,758	750,156	1,010,890	1,010,890
Charge for the year	-	20,765	6,890	50,063	77,718	77,718
Written back on disposals and written off	-	(17,824)	(61)	(18,796)	(36,681)	(36,681)
Impairment loss recognised	-	12,352	772	9,423	22,547	22,547
Exchange adjustments	-	(6,466)	(2,217)	(24,483)	(33,166)	(33,166)
At 30 June 2020	-	205,803	69,142	766,363	1,041,308	1,041,308
Carrying amount						
At 30 June 2020	3,687,736	922,690	467,452	239,773	1,629,915	5,317,651
At 30 June 2019	3,798,843	1,046,520	491,062	254,759	1,792,341	5,591,184

14. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) The analysis of the carrying amount of properties is as follows:

	2020 US$'000	2019 US$'000
In Hong Kong:		
– Leasehold with between 10 to 50 years unexpired	298,472	328,534
– Leasehold with less than 10 years unexpired	37	55
Outside Hong Kong:		
– Freehold	900,735	1,001,911
– Leasehold with over 50 years unexpired	3,771,433	3,821,224
– Leasehold with between 10 to 50 years unexpired	86,691	157,868
– Leasehold with less than 10 years unexpired	20,510	26,833
	5,077,878	5,336,425

(b) Certain of the Group's properties with an aggregate carrying amount of US$3,527.6 million (2019: US$3,609.6 million) were pledged for bank loans and mortgage debenture stock.

(c) Investment properties comprise:

	2020 US$'000	2019 US$'000
Completed investment properties	2,472,612	2,637,269
Investment properties under development	1,215,124	1,161,574
	3,687,736	3,798,843

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 5 years. The gross carrying amount of investment properties of the Group held for use in operating leases was US$2,472.6 million (2019: US$2,637.3 million).

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

14. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (cont'd)

(f) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	2020				2019			
	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
Recurring fair value measurement								
Investment properties	-	2,269	3,685,467	3,687,736	-	192,559	3,606,284	3,798,843

During the year ended 30 June 2020, investment properties of US$164,256,000 as at 30 June 2020 was transferred from Level 2 to Level 3 due to change in valuation technique from market comparison approach to income capitalisation method (2019: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 30 June 2020. The valuations were carried out by external independent property valuers, CHFT Advisory and Appraisal Limited, CBRE, First Pacific Valuers and Savills, which have appropriate recognised professional qualifications and recent experience in the locations and categories of property being valued. The valuers have considered valuation techniques including the direct comparison method, income capitalisation method and residual land method in determining the open market values. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. Management has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of investment properties in Level 2 are determined using market comparison approach by reference to the recent sales price of comparable properties using market data which is publicly available.

14. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (cont'd)

(f) Fair value measurement of properties (cont'd)

(iii) Information about Level 3 fair value measurements

Type of investment properties	Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Commercial properties	- Direct comparison method	- Sales prices of US$228 to US$2,721 (2019: US$447 to US$2,550) per square feet ("psf")	The estimated fair value increases when the sales price increases
	- Income capitalisation method	- Capitalisation rate of 2.8% to 4.5% (2019: 3.2% to 4.5%)	The estimated fair value increases when the capitalisation rate decreases
Reversionary interest in freehold land and commercial properties	- Direct comparison method	- Sales prices of US$123 to US$518 (2019: US$124 to US$507) psf	The estimated fair value increases when the sales price and gross development value increase
	- Residual land method	- Gross development value of US$2,148 (2019: US$2,218) psf	
Commercial properties under development	- Residual land method	- Gross development value of US$2,127 to US$2,793 (2019: US$2,218 to US$2,958) psf	The estimated fair value increases when the gross development value increases

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2020 US$'000	2019 US$'000
Investment properties:		
At 1 July	3,606,284	3,392,476
Additions	90,951	49,736
Transfer from Level 2 fair value measurements	164,256	-
Transfer to assets held for sale (note 29)	(56,468)	-
Fair value adjustments	(5,975)	144,801
Exchange adjustments	(113,581)	19,271
At 30 June	3,685,467	3,606,284

Fair value adjustment of investment properties is recognised in the line item "Valuation surplus on investment properties" on the face of the consolidated income statement.

Exchange adjustment of investment properties is recognised in other comprehensive income in "Exchange translation reserve".

15. RIGHT-OF-USE ASSETS

	Interests in leasehold land and buildings US$'000	Furniture, fixtures and equipment US$'000	Total US$'000
Cost or valuation			
Changes in accounting policies (note 4)	804,230	7,614	811,844
Additions	7,449	107	7,556
Acquisition of subsidiaries (note 36(a))	3,951	–	3,951
Reversal	–	(212)	(212)
Disposals and written off	–	(29)	(29)
Exchange adjustments	(25,934)	(265)	(26,199)
At 30 June 2020	789,696	7,215	796,911
Representing:			
Cost	789,696	7,215	796,911
Valuation – 2020	–	–	–
	789,696	7,215	796,911
Accumulated depreciation and impairment loss			
Charge for the year	50,260	2,419	52,679
Written back on disposals and written off	–	(6)	(6)
Impairment loss recognised	37,596	–	37,596
Exchange adjustments	(2,031)	(49)	(2,080)
At 30 June 2020	85,825	2,364	88,189
Carrying amount			
At 30 June 2020	703,871	4,851	708,722

15. RIGHT-OF-USE ASSETS (cont'd)

The analysis of the carrying amount of right-of-use assets by class of underlying asset is as follows:

	2020 US$'000
Ownership interests in leasehold land and buildings held for own use, carried at net book value outside Hong Kong, with remaining lease	
– 50 years or more	432,749
– between 10 and 50 years	163,413
– less than 10 years	107,709
	703,871
Furniture, fixtures and equipment for own use, carried at depreciated cost	4,851
	708,722

16. INTANGIBLE ASSETS

	Casino licences and brand names US$'000	Bass Strait oil and gas royalty US$'000	Customer relationship, licences and brand names US$'000	Others US$'000	Total US$'000
Cost					
At 1 July 2018	893,543	139,897	–	100,066	1,133,506
Additions through acquisition of subsidiaries (note 36(a))	–	–	49,823	912	50,735
Additions	24	–	64	14,737	14,825
Disposals	–	–	–	(2,214)	(2,214)
Exchange adjustments	(32,229)	(7,192)	351	(3,353)	(42,423)
At 30 June 2019	861,338	132,705	50,238	110,148	1,154,429
Originally stated at 30 June 2019	861,338	132,705	50,238	110,148	1,154,429
Changes in accounting policies (note 4)	–	–	–	(4,471)	(4,471)
As stated at 1 July 2019	861,338	132,705	50,238	105,677	1,149,958
Reclassification	–	–	14,993	(14,993)	–
Additions through acquisition of subsidiaries (note 36(a))	–	–	12,290	38,504	50,794
Additions	28	–	749	22,521	23,298
Disposals	–	–	(49)	(112)	(161)
Exchange adjustments	(27,035)	(3,123)	(2,147)	(3,546)	(35,851)
At 30 June 2020	834,331	129,582	76,074	148,051	1,188,038

16. INTANGIBLE ASSETS (cont'd)

	Casino licences and brand names US$'000	Bass Strait oil and gas royalty US$'000	Customer relationship, licences and brand names US$'000	Others US$'000	Total US$'000
Accumulated amortisation and impairment loss					
At 1 July 2018	48,219	70,000	–	33,158	151,377
Charge for the year	1,555	3,073	3,189	16,120	23,937
Impairment loss recognised	11,755	–	–	6	11,761
Disposals	–	–	–	(2,062)	(2,062)
Exchange adjustments	(1,413)	(3,658)	(13)	(1,416)	(6,500)
At 30 June 2019	60,116	69,415	3,176	45,806	178,513
Originally stated at 30 June 2019	60,116	69,415	3,176	45,806	178,513
Changes in accounting policies (note 4)	–	–	–	(2,073)	(2,073)
As stated at 1 July 2019	60,116	69,415	3,176	43,733	176,440
Reclassification	–	–	3,466	(3,466)	–
Charge for the year	768	2,882	12,072	24,030	39,752
Impairment loss recognised	17,661	–	–	15	17,676
Disposals	–	–	–	(91)	(91)
Exchange adjustments	(1,473)	(1,573)	(55)	(1,910)	(5,011)
At 30 June 2020	77,072	70,724	18,659	62,311	228,766
Net book value					
At 30 June 2020	757,259	58,858	57,415	85,740	959,272
At 30 June 2019	801,222	63,290	47,062	64,342	975,916

The Bass Strait oil and gas royalty represents the Group's interest in the Bass Strait's oil and gas production in Australia held by GL Limited ("GL"). 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 estimated useful life of 30 years to 2040.

The Group capitalises acquired casino and other gaming licences and concessions. Management believes that licences, with the exception of the casino concession in Belgium, have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment. In respect of the casino concession in Belgium, its carrying value is amortised over the expected useful life of the concessions (9 years).

16. INTANGIBLE ASSETS (cont'd)

The customer relationship, licenses and brand name represents the Group's interest in the manufacture, marketing and distribution of health products. The customer relationship and licences are amortised on a straight-line basis over the estimated useful lives (4 to 20 years). Acquired brand names are recorded at fair value on acquisition. Where the brand names have a substantial and long term sustainable value and continued investment is made in the brand, the brand is deemed to have an indefinite life and is therefore not amortised. Brand names are reviewed annually for impairment or whenever events or changes in circumstances indicate the carrying value of the brand names may be impaired.

Included in other intangible assets are acquired computer software licences, costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and computer software development costs which are amortised over their estimated useful lives (3 to 5 years).

The recoverable amounts of the other intangible assets are estimated based on value-in-use models. These calculations use cash flow projections based on financial budgets approved by management covering a 3-year period. Subsequent to the cash flow projections period, the growth rates used to extrapolate the cash flow projections are stated below. The growth rate does not exceed the long term average growth rate for the relevant businesses.

The key assumptions used for value-in-use calculations are as follows:

	Casino licences and brand names of Rank		Bass Strait oil and gas royalty of GL		Customer relationship, licences and brand name	
	2020	2019	2020	2019	2020	2019
Long term growth rate	0%-2%	0%-2%	2%	2%	2%	3%
Discount rate	11%-14%	10%-13%	10%	10%	8%	10%

For casino licences and brand names of Rank, the key assumptions in the calculation of value in use are reopening of venues post COVID-19 lockdown, customer visits, win margins, spend per visit, casino duty, machine games duty, bingo duty adjusted for expected socioeconomic regulatory or tax changes and planned business initiatives and the discount rate. For Bass Strait oil and gas royalty, the key assumptions in the calculation of value in use are oil and gas production, oil and gas price, exchange rate and general inflation. For customer relationship, licences and brand name, the key assumptions in the calculation of value in use are honey production, honey price, exchange rate and general inflation. The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

Following the closure of venues as a result of the COVID-19 outbreak, the Group recognised impairment charges of USD17,676,000 relating to certain venues.

During the year ended 30 June 2019, the Group recognised impairment losses of US$11,755,000 in relation to the performance at certain venues (most notably admissions) of Rank not been in line with expectations and not expected to significantly improve in the future.

NOTES TO THE FINANCIAL STATEMENTS

17. INTEREST IN SUBSIDIARIES

(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	Group	Principal activities
Asia Fountain Investment Company Limited	2 shares (HK$20)	-	100	Investment trading
BIL (Far East Holdings) Limited	635,855,324 shares (HK$1,941,730,353)	-	71	Investment holding
GLL EWI (HK) Limited	10 shares (HK$10)	-	67	Investment holding
GuocoEquity Assets Limited	23,000,000 shares (HK$23,000,000)	100	100	Investment holding
GuoSon Assets China Limited	1 share (HK$1)	-	67	Investment holding
GuoSon Changfeng China Limited	1 share (HK$1)	-	67	Investment holding
Guoco Management Company Limited	2,000,000,000 shares (HK$2,000,000,000)	100	100	Provision of general management services
Guoco Investments (China) Limited	10,000,000 shares (HK$10,000,000)	100	100	Investment holding

(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	Group	Principal activities
GL Management Pte Ltd	2 shares (S$2)	-	71	Management company
GLL IHT Pte Ltd	10,000,000 shares (S$10,083,000)	-	67	Provision of financial and treasury services
GLL Land Pte Ltd	70,000,000 shares (S$70,000,000)	-	67	Holding properties for rental
GLL (Malaysia) Pte Ltd	58,000,000 shares (S$58,000,000)	-	67	Investment holding
Goodwood Residence Development Pte Ltd	10,000 shares (S$10,000)	-	67	Property development
GuocoLand Limited	1,183,373,276 shares (S$1,926,053,000)	-	67	Investment holding

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	Group	Principal activities
GuocoLand Assets Pte Ltd	20,000,000 shares (S$20,000,000)	100	100	Investment holding
GuocoLand Hotels Pte Ltd	92,000,000 shares (S$92,000,000)	-	67	Investment holding
GuocoLand Property Management Pte Ltd	60,000,000 shares (S$60,000,000)	-	67	Property management, marketing and maintenance services
GuocoLand Property Management Services Pty Ltd.	2,500,000 shares (S$2,500,000)	-	67	Property management, marketing and maintenance services
GuocoLand (Singapore) Pte Ltd	195,000,000 shares (S$195,000,000)	-	67	Investment holding
GuocoLand Vietnam (S) Pte Ltd	1 share (S$1)	-	67	Investment holding
Leedon Residence Development Pte Ltd	1,000,000 shares (S$1,000,000)	-	67	Property development
Martin Modern Pte Ltd	162,000,000 shares (S$162,000,000)	-	67	Property development
Sims Urban Oasis Pte Ltd	10,000,000 shares (S$10,000,000)	-	67	Property development
TPC Commercial Pte Ltd	487,000,000 shares (S$487,000,000)	-	53	Holding properties for rental
TPC Hotel Pte Ltd	78,000,000 shares (S$78,000,000)	-	53	Holding & operating hotel & hotel related activities
Wallich Residence Pte Ltd	30,000,000 shares (S$30,000,000)	-	53	Property development

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	Group	Principal activities
Damansara City Sdn Bhd	20,100,000 shares (RM20,100,000)	-	43	Property development and property investment
DC Hotel Sdn Bhd	80,000,002 shares (RM80,000,002)	-	43	Hotel operations
DC Offices Sdn Bhd	2,500,002 shares (RM2,500,002)	-	43	Property investment
DC Parking Sdn Bhd	2,500,002 shares (RM2,500,002)	-	43	Car park operations and property investment
DC Town Square Sdn Bhd	5,935,000 shares (RM5,935,000)	-	43	Property investment
GLM Emerald Hills (Cheras) Sdn Bhd	10,000,000 shares (RM10,000,000)	-	43	Property development and property investment
GLM Emerald Industrial Park (Jasin) Sdn Bhd	50,600,000 shares (RM50,600,000)	-	30	Property development and operation of an oil palm estate
GLM Emerald Square (Cheras) Sdn Bhd	55,701,000 shares (RM55,701,000)	-	43	Property development
GLM Oval Sdn Bhd	11,747,000 shares (RM11,747,000)	-	43	Property investment
GuocoLand (Malaysia) Berhad	700,458,518 shares (RM385,318,195)	-	43	Investment holding
JB Parade Sdn Bhd	40,000,000 shares (RM40,000,000)	-	47	Investment holding and hotel operations
PD Resort Sdn Bhd	100,016,800 shares (RM100,016,800)	-	67	Property investment and development, hotel operations and provision of consultancy and training services
Titan Debut Sdn Bhd	3,000,000 shares (RM3,000,000)	-	43	Acquisition, enhancement and resale of properties

17. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
8Ball Games Limited	100 shares of GBP0.01 each	-	52	Marketing services
Grosvenor Casinos Limited	39,000,000 shares of GBP1 each	-	52	Casinos
Grosvenor Casinos (GC) Limited	10,000 shares of GBP0.01 each	-	52	Casinos
GLH Hotels Holdings Limited	37,000,003 shares of GBP1 each	-	71	Investment holding
GLH Hotels Limited	310,545,212 shares of GBP0.26 each	-	71	Ownership and operation of hotels in UK
Mecca Bingo Limited	950,000 shares of GBP1 each and 50,000 "A" shares of GBP1 each	-	52	Social and bingo clubs
Rank Casino Holdings Limited	100 shares of GBP1 each	-	52	Intermediary holding company
Rank Digital Limited	100,000 "A" shares of GBP0.01 each and 500,000 "B" shares of GBP0.01 each	-	52	Support services to interactive gaming
Rank Digital Holdings Limited	3,431,001 shares of GBP1 each	-	52	Intermediary holding company
Rank Group Finance Plc	200,000,000 shares of GBP1 each	-	52	Funding operations
Rank Group Gaming Division Limited	944,469 shares of GBP1 each and 55,531 "A" shares of GBP1 each	-	52	Intermediary holding and provision of property services
Rank Leisure Limited	1 share of GBP1 each	-	52	Adult gaming centres in Mecca Bingo and Grosvenor Casinos

17. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Rank Leisure Holdings Limited	1,000,000 shares of GBP1 each and 1,799 preferred shares of US$1 each	-	52	Intermediary holding and corporate activities
Rank Nemo (Twenty-Five) Limited	1 share of GBP1 each	-	52	Intermediary holding company
Rank Overseas Holdings Limited	1,000,000 shares of GBP1 each	-	52	Intermediary holding company
Spacebar Media Limited	3,334 shares of GBP0.001 each	-	52	Development and maintenance of online gaming software
Stride Together Limited	1 share of GBP1 each	-	52	Support services to interactive gaming
The Gaming Group Limited	1 share of GBP1 each	-	52	Casinos
The Rank Group Plc	390,683,521 shares of GBp13 8/9 each	-	52	Investment holding of gaming business
Think Beyond Media Limited	1 share of GBP1 each	-	52	Marketing services
Upperline Marketing Limited	100 shares of GBP1 each	-	52	Intermediary holding company

17. INTEREST IN SUBSIDIARIES (cont'd)

(e) 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
Beijing Jiang Sheng Property Development Co., Ltd (note (i) & (vii))	The People's Republic of China	RMB1,000,000 (note (ii))	-	67	Property development
Blankengerg Casino-Kursaal NV	Belgium	37,163 shares (EUR3,253,468)	-	52	Casino
BIL Australia Pty Limited	Australia	407,174,860 shares (A$1)	-	71	Investment holding
BIL NZ Treasury Limited	New Zealand	200,100 shares (NZ$200,000,100)	-	71	Investment holding
BingoSoft Plc	Malta	17,500 shares of EUR0.01 each	-	52	Interactive gaming
Chongqing Yuzhong Xinhaojun Real Estate Development Co., Ltd (note (i) & (vii))	The People's Republic of China	RMB2,563,123,420.57 (note (ii))	-	50	Property development
Clermont Leisure International Limited	Jersey	2 shares of GBP1 each	-	71	Investment holding
Conticin S.L.	Spain	600 shares of EUR60 each	-	52	Operator of parking for social and bingo clubs
Daub Alderney Limited	Alderney	2,670,760 shares of GBP0.0001 each	-	52	Interactive bingo gaming
Dynamic Talent Limited	Cayman Islands	1 share of US$1 each	100	100	Financing activities
Fresco Resources Limited (note (iii))	British Virgin Islands	1 share of US$1 each	100	100	Financing activities
GGL Assets (NZ) Limited	New Zealand	183,000,100 shares (NZ$183,000,100)	100	100	Investment holding
GL Limited	Bermuda	1,368,063,633 shares of US$0.2 each	-	71	Hotel and property management
Gotfor S.A.	Spain	10,000 shares of GBP6.01 each	-	52	Social and bingo clubs
Guoco Securities (Bermuda) Limited	Bermuda	120,000 shares of US$0.1 each	100	100	Investment holding

17. INTEREST IN SUBSIDIARIES (cont'd)

(e) 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	Group	Principal activities
GuocoLand Binh Duong Property Co., Ltd	Vietnam	VND288,245,178,769 (note (ii))	-	67	Property development
GuocoLand (China) Limited	Bermuda	20,000,000 shares of US$1 each	-	67	Investment holding
GuocoLeisure Assets Limited	Cayman Islands	1 share of US$1 each	100	100	Investment holding
GLH Hotels Group Limited (note (v))	Bermuda	1 share of US$1 each	-	71	Investment holding
GuoSon Investment Company Limited (note (i) & (vi))	The People's Republic of China	US$392,000,000 (note (ii))	-	67	Investment holding
Hillcrest Hives Limted	New Zealand	1,000 shares (NZ$1,000)	-	70	Apiculture
Ma Sing Investments Limited (note (iv))	British Virgin Islands	1 share of US$1 each	-	71	Investment holding
Manuka Health Australia Pty Limited	Australia	1 share of A$1 each	-	100	Limited risk distributor
Manuka Health New Zealand Limited	New Zealand	28,721,250 shares (NZ$33,619,000)	-	100	Apiculture, manufacture, sale and distribution of New Zealand natural healthcare products
Molokai Properties Limited	United States of America	100 shares of US$2 each	-	71	Investment holding
Neuseelanhaus GmbH	Germany	1 share of EUR25,000	-	100	Sale and distribution of New Zealand natural healthcare products
Netboost Media Limited	Israel	200 shares of NIS1 each	-	52	Marketing services
Oceanease Limited	Cayman Islands	1 share of US$1 each	-	100	Investment trading
Qinnacle View Limited (note (iii))	Cayman Islands	1 share of US$1 each	100	100	Property holding

17. INTEREST IN SUBSIDIARIES (cont'd)

(e) 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
QSB Gaming Limited	Alderney	4,234 shares of GBP1 each	-	100	Intermediary holding company
Rank Assets Limited	Cayman Islands	1 share of US$1 each	100	100	Investment holding
Rank Cataluña S.A.	Spain	3,000 shares of EUR60 each	-	52	Social and bingo clubs
Rank Centro S.A.	Spain	10,000 shares of EUR6.02 each	-	52	Social and bingo clubs
Rank Digital España SA	Spain	1,500 shares of EUR1 each	-	52	Interactive gaming
Rank Digital Gaming (Alderney) Limited	Alderney	1 share of GBP1 each	-	52	Interactive gaming
Rank Digital Services (Gibraltar) Limited	Gibraltar	1,000 shares of GBP1 each	-	52	Support services to interactive gaming
Rank Holding España SA	Spain	150,000 shares of EUR26.02 each	-	52	Intermediary holding company
Rank Stadium Andalucia, S.L.	Spain	3,000 shares of EUR1 each	-	52	Social and bingo club
Shanghai Xinhaolong Property Development Co., Ltd (note (i) & (vi))	The People's Republic of China	US$126,000,000 (note (ii))	-	67	Property development
Shanghai Xinhaojia Property Development Co., Ltd (note (i) & (vi))	The People's Republic of China	RMB315,000,000 (note (ii) & (viii))	-	83	Property development
ShiftTech (PTY) Ltd	South Africa	100 shares of no par value	-	52	Development and maintenance of online gaming software
SRG Services Limited	Mauritius	1 share of MUR30 each	-	52	Shared services support

17. INTEREST IN SUBSIDIARIES (cont'd)

(e) 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	Group	Principal activities
Stride Gaming Limited (formerly knowns as Stride Gaming Plc)	Jersey	75,805,338 shares of GBP0.01 each	-	52	Intermediary holding company
Stride Investments Limited	Mauritius	100 shares of GBP50 each	-	52	Intermediary holding company
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 FJ$1 each	-	71	Investment holding
Top Rank Andalucia SA	Spain	263,932 shares of EUR6 each	-	52	Social and bingo clubs
Verdiales S.L.	Spain	5,000 shares of EUR60.1 each	-	52	Social and bingo clubs

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 the United Kingdom.

(vi) These companies are foreign capital enterprises.

(vii) These companies are sino-foreign equity joint venture enterprises.

(viii) This company has reduced the registered capital to RMB1,000,000 with effect from 19 July 2020.

17. INTEREST IN SUBSIDIARIES (cont'd)

(f) Material non-controlling interests

The following table lists out the information relating to each subsidiary of the group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	GuocoLand		GL		Rank		Immaterial		Total	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
NCI percentage at the end of the reporting period	33%	35%	29%	31%	48%	48%				
Non-current assets	4,268,425	4,469,125	1,562,137	1,061,856	1,448,383	1,240,641				
Current assets	3,708,242	2,948,140	276,352	342,669	143,825	126,893				
Non-current liabilities	(3,814,166)	(3,577,212)	(892,697)	(229,398)	(405,167)	(80,343)				
Current liabilities	(752,769)	(407,384)	(62,812)	(79,696)	(285,438)	(314,452)				
Net assets	3,409,732	3,432,669	882,980	1,095,431	901,603	972,739				
Carrying amount of NCI	1,629,726	1,633,154	256,028	337,767	419,905	453,665	3,415	2,535	2,309,074	2,427,121
Revenue	701,697	703,176	229,486	316,392	802,767	898,780				
Profit/(loss) for the year	65,021	210,964	(26,669)	50,326	12,351	37,647				
Total comprehensive income	51,469	118,069	(51,351)	(5,772)	(532)	39,031				
Profit/(loss) allocated to NCI	22,948	83,707	(7,512)	16,025	5,436	18,059	(5,304)	225	15,568	118,016
Dividend paid to NCI	17,071	18,774	5,685	5,978	19,084	17,703	23	-	41,863	42,455
Net cash (used in)/generated from:										
- operating activities	(528,468)	235,794	86,182	76,385	182,694	129,594				
- investing activities	171,829	218,585	(1,047)	(14,106)	(174,471)	(75,402)				
- financing activities	437,025	(485,409)	(84,484)	(69,858)	7,436	(40,003)				
Net increase/(decrease) in cash and cash equivalents	80,386	(31,030)	651	(7,579)	15,659	14,189				

18. INTEREST IN ASSOCIATES AND JOINT VENTURES

	2020 US$'000	2019 US$'000
Share of net assets of associates	1,287,955	1,226,038
Goodwill	14,414	14,500
Amounts due from associates	9	547
	1,302,378	1,241,085
Less: Impairment loss	(12,092)	(12,092)
Interest in associates	1,290,286	1,228,993
Share of net assets of joint ventures	214,768	203,675
Amounts due from joint ventures	108,571	104,195
	323,339	307,870
Less: Impairment loss	(33,938)	–
Interest in joint ventures	289,401	307,870
	1,579,687	1,536,863

The market values of the listed investments in associates and joint venture at 30 June 2020 were US$901.0 million (2019: US$1,318.5 million) and US$65 million (2019: US$105 million) respectively.

18. INTEREST IN ASSOCIATES AND JOINT VENTURES (cont'd)

The details of significant associates and joint venture are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Effective percentage held by the Group	Principal activities
Associates				
Hong Leong Financial Group Berhad ("HLFG")	Malaysia	1,147,516,890 shares (RM2,267,008,045)	25	Financial services (note 1)
Tower Real Estate Investment Trust ("Tower REIT")	Malaysia	280,500,000 units (RM208,972,500)	10	Investment in real estate and real-estate related assets (note 2)
GLM Emerald (Sepang) Sdn Bhd ("GLM Emerald")	Malaysia	140,000,000 shares (RM140,000,000)	17	Property development and operation of an oil palm estate
Passion Gaming Private Limited	India	10,000 shares of INR10 each	27	Online operator of digital card games
Joint venture				
EcoWorld International Berhad ("EWI")	Malaysia	2,400,000,000 shares (RM2,592,141,000)	18	Investment holding (note 3)
Carmel Development Pte Ltd ("Carmel")	Singapore	4,000,000 shares (S$4,000,000)	27	Property development

Note 1: HLFG is an integrated financial services group and is listed on the Malaysia Stock Exchange. Its businesses cover commercial banking, Islamic banking services, insurance and takaful business, investment banking, futures and stockbroking and asset management business.

Note 2: Tower REIT is listed on the Malaysia Stock Exchange. Its investment portfolio comprises 3 prime commercial buildings in Kuala Lumpur.

Note 3: EWI is listed on the Malaysia Stock Exchange and is principally engaged in property development in international market outside of Malaysia, mainly in the United Kingdom and Australia.

All of the associates and joint ventures are accounted for using the equity method in the consolidated financial statements.

Included in amounts due from joint ventures of US$107.4 million (2019: US$101.1 million) is interest bearing at 3.2% to 4.0% per annum (2019: 4.0%) and is repayable at the discretion of the board of the joint venture.

18. INTEREST IN ASSOCIATES AND JOINT VENTURES (cont'd)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	HLFG		Tower REIT		GLM Emerald		Total	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Non-current assets	N/A	N/A	136,437	135,872	49,807	51,550		
Current assets	N/A	N/A	889	2,057	10,559	13,052		
Total assets	59,211,577	57,542,963	137,326	137,929	60,366	64,602		
Non-current liabilities	N/A	N/A	(5,567)	(6,777)	(6,444)	(2,978)		
Current liabilities	N/A	N/A	(7,370)	(718)	(2,433)	(4,111)		
Total liabilities	(51,961,344)	(50,624,474)	(12,937)	(7,495)	(8,877)	(7,089)		
Non-controlling interests	(2,370,941)	(2,299,092)	-	-	-	-		
Net assets	4,879,292	4,619,397	124,389	130,434	51,489	57,513		
Group's share of net assets	1,237,843	1,171,909	26,943	28,251	23,169	25,881		
Goodwill	12,092	12,092	-	-	2,322	2,405		
Amounts due from associates	-	-	-	-	9	547		
Impairment loss	(12,092)	(12,092)	-	-	-	-		
Group's carrying amount	1,237,843	1,171,909	26,943	28,251	25,500	28,833		
Revenue	1,481,171	1,608,294	5,127	8,235	1,187	904		
Profit/(loss) for the year	440,460	465,034	1,911	1,785	(3,847)	753		
Other comprehensive income	21,444	21,230	(412)	(4,372)	(233)	(2,467)		
Total comprehensive income	461,904	486,264	1,499	(2,587)	(4,080)	(1,714)		
Carrying amount of interest in associates at the beginning of the year	1,171,909	1,078,598	28,251	29,193	28,833	28,929		
Total comprehensive income attributable to the Group	117,182	123,360	325	(560)	(1,836)	(772)		
Dividends received during the year	(9,158)	(29,398)	(747)	(604)	(84)	-		
Advance to an associate	-	-	-	-	(521)	452		
Reversal of impairment loss	-	25,370	-	-	-	-		
Exchange adjustments	(42,090)	(26,021)	(886)	222	(892)	224		
Carrying amount of interest in associates at the end of the year	1,237,843	1,171,909	26,943	28,251	25,500	28,833	1,290,286	1,228,993

18. INTEREST IN ASSOCIATES AND JOINT VENTURES (cont'd)

Summarised financial information of the joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	EWI		Carmel		Other immaterial joint ventures		Total	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Non-current assets	104,111	500,799	4,071	196				
Current assets	809,094	344,927	734,481	762,703				
Total assets	913,205	845,726	738,552	762,899				
Non-current liabilities	(248,702)	(269,211)	(763,003)	(765,724)				
Current liabilities	(111,638)	(68,598)	(4,367)	(2,622)				
Total liabilities	(360,340)	(337,809)	(767,370)	(768,346)				
Non-controlling interests	(1,876)	(1,809)	-	-				
Net assets	550,989	506,108	(28,818)	(5,447)				
Group's share of net assets	148,768	136,651	-	-				
Goodwill	38,260	39,503	-	-				
Impairment loss	(33,658)	-	-	-				
Shareholder's loan	-	-	107,331	103,398				
Group's carrying amount	153,370	176,154	107,331	103,398	28,700	28,318	289,401	307,870
Profit/(loss) for the year	50,715	11,041	-	(2,934)				
Group's share of total comprehensive income	16,532	(6,411)	-	(1,174)	818	135	17,350	(7,450)
Carrying amount of interest in investee at the beginning of the year	176,154	181,145	103,398	1,174	28,318	27,593	307,870	209,912
Total comprehensive income attributable to the Group	16,532	(6,411)	-	(1,174)	818	135	17,350	(7,450)
Impairment loss	(33,938)	-	-	-	-	-	(33,938)	-
Advance to joint ventures	-	-	7,187	103,398	469	375	7,656	103,773
Exchange adjustments	(5,378)	1,420	(3,254)	-	(905)	215	(9,537)	1,635
Carrying amount of interest in investee at the end of the year	153,370	176,154	107,331	103,398	28,700	28,318	289,401	307,870

19. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the financial year ended 30 June 2020, the Group acquired an additional 1.6% (2019: nil) interest in GuocoLand for US$27.9 million in cash, increasing its ownership from 65.2% to 66.8%. The Group recognised a decrease in non-controlling interests of US$45.6 million and an increase in total equity attributable to equity shareholders of the Company of US$19.2 million.

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

	US$'000
Group's ownership interest at 1 July 2019	1,799,515
Effect of increase in Group's ownership interest	45,569
Share of total comprehensive income	(65,078)
Group's ownership interest at 30 June 2020	1,780,006

During the financial year ended 30 June 2020, the Group acquired an additional 1.7% interest in GL for US$12.9 million in cash, increasing its ownership from 69.0% to 70.7%. The Group recognised a decrease in non-controlling interests of US$18.3 million and an increase in total equity attributable to equity shareholders of the Company of US$5.4 million.

During the financial year ended 30 June 2019, the Group acquired an additional 1.4% interest in GL for US$10.3 million in cash, increasing its ownership from 67.6% to 69.0%. The Group recognised a decrease in non-controlling interests of US$15.5 million and an increase in total equity attributable to equity shareholders of the Company of US$5.3 million.

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

	2020 US$'000	2019 US$'000
Group's ownership interest at 1 July	757,664	760,800
Effect of increase in Group's ownership interest	18,289	15,508
Share of total comprehensive income	(149,001)	(18,644)
Group's ownership interest at 30 June	626,952	757,664

20. EQUITY INVESTMENTS AT FVOCI

	2020 US$'000	2019 US$'000
Equity securities		
Listed (at market value)		
– In Hong Kong	1,057,972	1,283,779
Unlisted	108,392	83,242
	1,166,364	1,367,021

21. GOODWILL

	2020 US$'000	2019 US$'000
Cost:		
At 1 July	314,111	182,607
Additions through acquisition of subsidiaries (note 36(a))	65,448	136,425
Exchange adjustments	(11,803)	(4,921)
At 30 June	367,756	314,111

In accordance with the Group's accounting policy, the carrying value of goodwill is tested for impairment annually, based on value-in-use models. For impairment testing purposes, each subsidiary group acquired is treated as a single cash generating unit ("CGU"). The recoverable amount of goodwill is determined by discounting the future cash flows to be generated from the CGU based on the financial budgets approved by management covering a 3-year period. Cash flows beyond the 3-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	Manuka Health		GuocoLand		Rank	
	2020	2019	2020	2019	2020	2019
Long term growth rate	1%	3%	4%	4%	2%	2%
Discount rate	9%	10%	7%	7%	12%	11%

The long term growth rates used are consistent with the forecasts included in industry reports and do not exceed the long term average growth rates for the business in which the CGU operates. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

The results of the tests undertaken as at 30 June 2020 and 30 June 2019 indicated no impairment loss was necessary.

22. DEVELOPMENT PROPERTIES

	2020 US$'000	2019 US$'000
Cost	3,069,751	2,247,493
Less: Progress instalments received and receivable	(401,498)	(275,806)
Write down of development properties	(28,883)	–
	2,639,370	1,971,687

The Group had engaged an independent valuer to arrive at a market value as at 30 June 2020 from which estimated selling cost is deducted to arrive an estimate of the net realisable value properties on Molokai island in Hawaii. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. The valuer had considered the latest transaction prices of properties in comparable transaction and made reasoned adjustments to the comparable data to reflect market conditions, quality, condition, access, services, position, and location of the properties. The economic impacts arising from the COVID-19 pandemic has heightened the degree of judgement and estimation uncertainty.

The valuer had included a material uncertainty section in its report which highlights that market activity is being impacted in many sectors by COVID-19 and therefore, less weight can be placed to previous market evidence for comparison purposes to inform opinions of value. In addition, the valuer had indicated that it is faced with an unprecedented set of circumstances on which to base its judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

The estimated net realisable value of certain land parcels of the development properties were lower than the carrying amount as at 30 June 2020, and a write-down of US$28,883,000 was recognised at the end of the reporting period.

Except for the above, the development properties are carried at cost at the end of the reporting period.

Certain of the Group's development properties with an aggregate book value of US$1,890.1 million (2019: US$1,345.2 million) were pledged for bank loans and mortgage debenture stock.

23. PROPERTIES HELD FOR SALE

	2020 US$'000	2019 US$'000
At 1 July	448,533	686,022
Additions	33,800	120,129
Disposals	(113,841)	(351,749)
Disposal of a subsidiary (note 36(b))	(948)	–
Impairment loss recognised	–	(2,215)
	367,544	452,187
Exchange adjustments	(14,657)	(3,654)
At 30 June	352,887	448,533

24. INVENTORIES

	2020 US$'000	2019 US$'000
Raw materials and consumables	38,701	31,934
Work in progress	121	555
Finished goods	22,369	25,577
	61,191	58,066

25. CONTRACT ASSETS/LIABILITIES

(i) Contract assets

Contract assets relate primarily to the Group's right to consideration for work completed but not billed at the reporting date in respect of its property development business. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

(ii) Contract liabilities

Contract liabilities relate primarily to advance consideration received from customers; and progress billings issued in excess of the Group's rights to the consideration.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer.

The changes in contract assets and contract liabilities are due to the differences between the agreed payment schedule and progress of the construction work.

26. TRADE AND OTHER RECEIVABLES

	2020 US$'000	2019 US$'000
Trade debtors	92,368	85,263
Other receivables, deposits and prepayments	168,191	140,028
Derivative financial instruments, at fair value	8,902	22,324
Interest receivables	1,338	3,883
	270,799	251,498

Included in the Group's trade and other receivables is US$12.3 million (2019: US$7.1 million) which is expected to be recovered after one year.

(a) Ageing analysis

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

	2020 US$'000	2019 US$'000
Within 1 month	82,223	67,497
1 to 3 months	5,819	10,591
More than 3 months	4,326	7,175
	92,368	85,263

(b) Impairment of trade debtors, other receivables, deposits and interest receivables

Impairment losses in respect of trade debtors, other receivables, deposits and interest receivables are recorded using an allowance account based on expected credit losses. Given the Group has not experienced any significant credit losses in the past, the allowance for expected credit losses is therefore insignificant.

The balance and the movement of the allowance for bad and doubtful debts as at 30 June 2020 and 2019 are not significant.

27. TRADING FINANCIAL ASSETS

	2020 US$'000	2019 US$'000
Equity securities		
Listed (at market value)		
– In Hong Kong	725,487	786,785
– Outside Hong Kong	517,437	850,216
	1,242,924	1,637,001

28. CASH AND SHORT TERM FUNDS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2020 US$'000	2019 US$'000
Deposits with banks	1,063,292	1,368,869
Cash at bank and in hand	543,115	420,927
Cash and short term funds in the consolidated statement of financial position	1,606,407	1,789,796
Fixed deposits with maturity over three months	–	(167,368)
Cash collaterals (note)	(8,160)	(10,976)
Cash and cash equivalents in the consolidated statement of cash flows	1,598,247	1,611,452

Note: Cash collaterals comprised deposits of US$8.2 million as at 30 June 2020 (2019: US$11.0 million) pledged with financial institutions in Singapore for bank loans.

28. CASH AND SHORT TERM FUNDS AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings and interest payable US$'000	Amount due to non-controlling interests US$'000	Lease liabilities US$'000	Total US$'000
At 1 July 2018	4,811,276	291,904	–	5,103,180
Changes from financing cash flows:				
Net repayment of bank loans and other borrowings	(346,690)	–	–	(346,690)
Interest paid	(160,801)	–	–	(160,801)
Total changes from financing cash flows	(507,491)	–	–	(507,491)
Exchange adjustments	7,114	(2,930)	–	4,184
Other changes:				
Acquisition of subsidiaries (note 36(a))	63,197	–	–	63,197
Total borrowing costs (note 7(a))	117,212	3,793	–	121,005
Capitalised borrowing costs (note 7(a))	48,073	12,029	–	60,102
Amortisation of upfront fee	6,737	–	–	6,737
Total other changes	235,219	15,822	–	251,041
At 30 June 2019	4,546,118	304,796	–	4,850,914

28. CASH AND SHORT TERM FUNDS AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities (cont'd)

	Bank loans and other borrowings and interest payable US$'000	Amount due to non-controlling interests US$'000	Lease liabilities US$'000	Total US$'000
Original stated at 30 June 2019	4,546,118	304,796	–	4,850,914
Change in accounting policies (note 4)	(9,761)	–	1,062,634	1,052,873
As stated at 1 July 2019	4,536,357	304,796	1,062,634	5,903,787
Changes from financing cash flows:				
Net repayment of bank loans and other borrowings	395,604	–	–	395,604
Loans from non-controlling interests of subsidiaries	–	62,047	–	62,047
Interest paid	(155,184)	–	–	(155,184)
Capital element of lease rentals paid	–	–	(36,830)	(36,830)
Interest element of lease rentals paid	–	–	(48,327)	(48,327)
Total changes from financing cash flows	240,420	62,047	(85,157)	217,310
Exchange adjustments	(115,264)	(9,186)	(30,523)	(154,973)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	7,556	7,556
Reversal	–	–	(232)	(232)
Acquisition of subsidiaries (note 36(a))	3,064	–	–	3,064
Total borrowing costs (note 7(a))	106,142	4,020	48,327	158,489
Capitalised borrowing costs (note 7(a))	55,179	10,714	–	65,893
Capitalised shareholder's loan from non-controlling interests	–	(35,806)	–	(35,806)
Amortisation of upfront fee	3,079	–	–	3,079
Total other changes	167,464	(21,072)	55,651	202,043
At 30 June 2020	4,828,977	336,585	1,002,605	6,168,167

29. ASSETS HELD FOR SALE

	2020 US$'000	2019 US$'000
Investment properties	56,468	–
	56,468	–

In March 2020, DC Offices Sdn Bhd, a Malaysian subsidiary, entered into a conditional agreement to dispose an office building known as Menara Guoco to MTrustee Berhad, the trustee of Tower Retail Estate Investment Trust ("Tower REIT"), which is an associate of the Group, for a consideration of approximately US$56.5 million (RM242.1 million). Accordingly, the asset was reclassified from investment properties (note 14) to assets held for sale as at 30 June 2020 and stated at its fair value of US$56.5 million. The transaction was completed on 19 August 2020. The property has been mortgaged to secure the loan facilities (note 31).

30. TRADE AND OTHER PAYABLES

	2020 US$'000	2019 US$'000
Trade creditors	90,078	69,905
Other payables and accrued operating expenses	368,973	444,038
Derivative financial instruments, at fair value	80,300	42,580
Amounts due to fellow subsidiaries	4,970	7,818
Amounts due to associates and joint ventures	79	57
	544,400	564,398

Included in trade and other payables is US$127.6 million (2019: US$86.5 million) which is expected to be payable after one year.

(a) Ageing analysis

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

	2020 US$'000	2019 US$'000
Within 1 month	63,628	62,657
1 to 3 months	14,644	4,116
More than 3 months	11,806	3,132
	90,078	69,905

30. TRADE AND OTHER PAYABLES (cont'd)

(b) Other payables and accrued operating expenses

	2020 US$'000	2019 US$'000
Accrued operating expenses	131,667	183,939
Real estate tax payable	30,490	1,606
Social security and gaming and other taxation	60,559	49,237
Interest payables	21,640	15,503
Deposits received	63,495	58,760
Accruals for above market property rentals on the acquired subsidiary	1,345	36,612
Pre-sales deposits received in advance	690	1,244
Contingent cash consideration for acquisition of subsidiary	–	3,149
Others	59,087	93,988
	368,973	444,038

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

31. BANK LOANS AND OTHER BORROWINGS

	2020			2019		
	Current portion US$'000	Non-current portion US$'000	Total US$'000	Current portion US$'000	Non-current portion US$'000	Total US$'000
Bank loans						
– Secured	244,237	2,726,186	2,970,423	107,774	2,451,037	2,558,811
– Unsecured	648,694	509,895	1,158,589	475,338	806,410	1,281,748
	892,931	3,236,081	4,129,012	583,112	3,257,447	3,840,559
Other loans						
– Unsecured	–	157	157	2,327	7,434	9,761
	–	157	157	2,327	7,434	9,761
Unsecured medium term notes and bonds	89,473	519,562	609,035	129,217	479,220	608,437
Secured mortgage debenture stock	–	69,133	69,133	–	71,858	71,858
	982,404	3,824,933	4,807,337	714,656	3,815,959	4,530,615

31. BANK LOANS AND OTHER BORROWINGS (cont'd)

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

	2020				2019			
	Bank loans US$'000	Mortgage debenture stock US$'000	Other borrowings US$'000	Total US$'000	Bank loans US$'000	Mortgage debenture stock US$'000	Other borrowings US$'000	Total US$'000
Within 1 year or on demand	892,931	-	89,473	982,404	583,112	-	131,544	714,656
After 1 year but within 2 years	391,696	69,133	255,386	716,215	961,135	-	94,254	1,055,389
After 2 years but within 5 years	2,844,542	-	121,574	2,966,116	2,296,312	71,858	389,565	2,757,735
After 5 years	-	-	142,602	142,602	-	-	2,835	2,835
	3,236,238	69,133	519,562	3,824,933	3,257,447	71,858	486,654	3,815,959
	4,129,169	69,133	609,035	4,807,337	3,840,559	71,858	618,198	4,530,615

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$3,068.3 million (2019: US$3,138.4 million) (note 14);
- legal mortgages on development properties with an aggregate book value of US$1,890.1 million (2019: US$1,345.2 million) (note 22);
- legal mortgages on other property, plant and equipment with an aggregate book value of US$459.3 million (2019: US$471.2 million) (note 14);
- certain trading financial assets with an aggregate book value of US$393.0 million (2019: US$469.4 million) (note 27);
- legal mortgages on assets held for sale with an aggregate book value of US$56.5 million (2019: nil) (note 29); and
- a subsidiary has granted security over certain assets in favour of a bank as security trustee on behalf of a secured bank loan of US$65.4 million at 30 June 2019.

32. PROVISIONS AND OTHER LIABILITIES

	Pensions US$'000	Property lease US$'000	Others US$'000	Total US$'000
At 1 July 2018	(3,556)	47,355	7,688	51,487
Provision made during the year	8,000	2,394	15,204	25,598
Amounts settled or utilised during the year	(4,193)	(5,610)	(427)	(10,230)
Exchange adjustments	127	(1,754)	(289)	(1,916)
At 30 June 2019	378	42,385	22,176	64,939
Provisions and other liabilities as at 30 June 2019 are disclosed as:				
Current liabilities	–	6,645	17,439	24,084
Non-current liabilities	7,478	35,740	4,737	47,955
Non-current assets	(7,100)	–	–	(7,100)
	378	42,385	22,176	64,939
Originally stated at 30 June 2019	378	42,385	22,176	64,939
Changes in accounting policies (note 4)	–	(38,276)	–	(38,276)
As stated at 1 July 2019	378	4,109	22,176	26,663
Provision made/(written back) during the year	87	19,548	(1,298)	18,337
Amounts settled or utilised during the year	(3,167)	–	(4,590)	(7,757)
Actuarial gains on defined benefit obligation	3,639	–	–	3,639
Exchange adjustments	(58)	(611)	(527)	(1,196)
At 30 June 2020	879	23,046	15,761	39,686
Provisions and other liabilities as at 30 June 2020 are disclosed as:				
Current liabilities	–	20,649	11,155	31,804
Non-current liabilities	7,061	2,397	4,606	14,064
Non-current assets	(6,182)	–	–	(6,182)
	879	23,046	15,761	39,686

33. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and at the date of transition to HKFRS 16:

	30 June 2020		1 July 2019	
	Present value of the minimum lease payment US$'000	Total minimum lease payments US$'000	Present value of the minimum lease payment US$'000	Total minimum lease payments US$'000
Within 1 year	69,286	115,409	56,861	102,907
After 1 year but within 2 years	50,562	93,252	66,734	113,553
After 2 years but within 5 years	118,165	238,404	130,047	257,303
After 5 years	764,592	2,271,794	808,992	2,387,859
	933,319	2,603,450	1,005,773	2,758,715
	1,002,605	2,718,859	1,062,634	2,861,622
Less: total future interest expenses		(1,716,254)		(1,798,988)
Present value of lease liabilities		1,002,605		1,062,634

The weighted-average borrowing rates of the Group's lease liabilities was 4.69% per annum during the year.

34. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised

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	Revaluation of securities US$'000	Tax losses US$'000	Others US$'000	Total US$'000
At 1 July 2018	(15,842)	19,170	(2,917)	(726)	18,385	(7,638)	81,572	92,004
Reclassification	-	-	-	-	4,112	(4,112)	-	-
Acquisition of subsidiaries (note 36(a))	(732)	1,269	-	-	-	-	13,942	14,479
(Credited)/charged to consolidated income statement	(194)	2,379	(15,842)	-	(2,913)	(3,774)	(24,191)	(44,535)
Charged/(credited) to other comprehensive income	-	-	-	177	-	-	(618)	(441)
Written back on disposal of subsidiaries	-	-	-	-	-	-	(1,640)	(1,640)
	(16,768)	22,818	(18,759)	(549)	19,584	(15,524)	69,065	59,867
Exchange adjustments	679	(570)	361	24	99	6	(2,465)	(1,866)
At 30 June 2019	(16,089)	22,248	(18,398)	(525)	19,683	(15,518)	66,600	58,001
Originally stated at 30 June 2019	(16,089)	22,248	(18,398)	(525)	19,683	(15,518)	66,600	58,001
Changes in accounting policies (note 4)	-	(25,989)	-	-	-	-	2,017	(23,972)
As stated at 1 July 2019	(16,089)	(3,741)	(18,398)	(525)	19,683	(15,518)	68,617	34,029
Acquisition of subsidiaries (note 36(a))	44	-	-	-	-	(39)	137	142
(Credited)/charged to consolidated income statement	(1,758)	(15,275)	18,177	44	117	(20,089)	2,074	(16,710)
Credited to other comprehensive income	-	-	-	(161)	-	-	(208)	(369)
	(17,803)	(19,016)	(221)	(642)	19,800	(35,646)	70,620	17,092
Exchange adjustments	549	411	379	20	155	(47)	(2,348)	(881)
At 30 June 2020	(17,254)	(18,605)	158	(622)	19,955	(35,693)	68,272	16,211

34. DEFERRED TAXATION (cont'd)

(a) Deferred tax assets and liabilities recognised (cont'd)

	2020 US$'000	2019 US$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(56,830)	(26,131)
Net deferred tax liabilities recognised in the consolidated statement of financial position	73,041	84,132
	16,211	58,001

(b) Deferred tax assets not recognised

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

	2020 US$'000	2019 US$'000
Deductible temporary differences	101,998	31,137
Tax losses	1,312,298	1,239,679
	1,414,296	1,270,816

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

At 30 June 2020, the temporary differences relating to the undistributed profits of subsidiaries amounted to US$137.4 million (2019: US$97.2 million). Deferred tax liabilities of US$13.8 million (2019: US$9.8 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 the 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 2018	164,526	10,493	3,588,118	3,763,137
Final dividend paid in respect of prior year	–	–	(126,000)	(126,000)
Interim dividend paid in respect of current year	–	–	(41,935)	(41,935)
Total comprehensive income for the year – Profit for the year	–	–	254,805	254,805
At 30 June 2019	164,526	10,493	3,674,988	3,850,007
At 1 July 2019	164,526	10,493	3,674,988	3,850,007
Final dividend paid in respect of prior year	–	–	(126,088)	(126,088)
Interim dividend paid in respect of current year	–	–	(42,378)	(42,378)
Total comprehensive income for the year – Profit for the year	–	–	174,960	174,960
At 30 June 2020	164,526	10,493	3,681,482	3,856,501

(b) Nature and purpose of reserves of the Group

(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 purchase consideration for issued shares of the subsidiaries acquired for the purpose of satisfying outstanding share options granted by the subsidiaries is included in the capital reserve. It also comprises statutory and regulatory reserves maintained by HLFG's banking subsidiary companies in Malaysia and Vietnam.

35. SHARE CAPITAL AND RESERVES (cont'd)

(b) Nature and purpose of reserves of the Group (cont'd)

(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 ESOS reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Option Scheme for the purpose of satisfying the exercise of share options to be granted to eligible employees.

(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 equity investments at FVOCI.

(viii) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(ix) Revaluation reserve comprises increase in fair value of other property, plant and equipment and development properties from acquired subsidiaries. As disclosed in note 22, decreases in value on certain development properties of the Group under adverse impact of COVID-19, decrease in fair value of US$4,744,000 has been recognised at the end of the reporting period.

(x) Distributable reserves of the Company at 30 June 2020 amounted to US$3,676,678,000 (2019: US$3,670,033,000).

35. SHARE CAPITAL AND RESERVES (cont'd)

(c) Share capital

	2020 No. of shares '000	2020 US$'000	2019 No. of shares '000	2019 US$'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 2020, 3,826,862 (2019: 3,826,862) ordinary shares were acquired by the Group to reserve for the executive share option scheme 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

(i) Business combination

Year ended 30 June 2020

On 4 October 2019, the Group acquired 100% of the issued share capital of Stride Gaming plc ("Stride") for a total cash consideration of GBP116.0 million (approximately US$143.2 million) which included GBP1.5 million (approximately US$1.9 million) in respect of employee benefit schemes. There was no deferred or contingent consideration.

Stride is an established scale player in the highly regulated UK soft gaming market and provides B2C services through a portfolio of 150 online brands, 14 of which are operated on Stride's proprietary platform and also B2B services licensing its proprietary platform. The acquisition of Stride will accelerate the transformation of Rank and create one of the UK's leading online gaming businesses.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(i) Business combination (cont'd)

Year ended 30 June 2020 (cont'd)

The provisional fair value of the assets acquired and liabilities assumed, goodwill and consideration are outlined below. The amounts disclosed are provisional and the accounting will be completed within the 12-month measurement period permitted by HKFRS 3 Business Combinations.

	2020 US$'000
Net assets acquired:	
Intangible assets	50,794
Property, plant and equipment	715
Right-of-use assets	3,951
Trade and other receivables	6,432
Cash and short term funds	37,632
Trade and other payables	(17,660)
Bank borrowings	(3,064)
Taxation	(619)
Deferred tax liabilities	(142)
Net assets acquired	78,039
Less: non-controlling interests	(269)
Goodwill arising from acquisition	65,448
Total consideration paid, satisfied by cash	143,218

A reconciliation of cash consideration paid to the net cash outflow in respect of acquisition of subsidiaries included in investing activities in the consolidated statement of cash flows is as follows:

	2020 US$'000
The fair value of each component of consideration is analysed as:	
Cash consideration paid	(143,218)
Cash and short term funds acquired	37,632
Net cash outflow in respect of acquisition of subsidiaries	(105,586)

	2020 US$'000
The identified intangible assets recognised separately from goodwill are as follows:	
Customer relationships and brand names	12,290
Technology, software and licenses	38,504
	50,794

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(i) Business combination (cont'd)

Year ended 30 June 2020 (cont'd)

The fair value of trade and other receivables and trade and other payables correspond to the book value at which all receivables are expected to be received. The goodwill consists of future revenue opportunities and the assembled workforce including marketing and technological expertise. No amount of the goodwill recognised is expected to be deductible for tax purposes. The goodwill of GBP53.0 million (approximately US$65.4 million) arises from expected entity specific synergies.

In the year ended 30 June 2020, Stride contributed revenue of US$64.2 million and profit of US$2.7 million. If the acquisition had occurred at the beginning of the year, the continuing revenues of the combined entity in the 12 months to 30 June 2020 would have been US$84.5 million and loss would have been US$4.0 million.

Year ended 30 June 2019

On 8 January 2019, the Group acquired 100 per cent of the issued share capital of Pacific Health Group TopCo1 Limited and its subsidiaries ("Manuka Health") for an aggregate consideration of NZD248.4 million (approximately US$165.5 million).

Manuka Health is engaged in manufacture and distribution of a range of products derived from manuka honey, including but not limited to, honey in a jar, honey blends, royal jelly and propolis to 5 core markets of China, New Zealand, Australia, USA and Germany.

The provisional fair value of the assets acquired and liabilities assumed, goodwill and consideration are outlined below. The accounting will be completed within the 12-month measurement period permitted by HKFRS 3 Business Combinations.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(i) Business combination (cont'd)

Year ended 30 June 2019 (cont'd)

	2019 US$'000
Net assets acquired:	
Property, plant and equipment	22,846
Intangible assets	50,735
Inventories	53,811
Trade and other receivables	16,062
Cash and short term funds	1,741
Taxation recoverable	1,311
Trade and other payables	(39,557)
Bank borrowings	(63,197)
Deferred tax liabilities	(13,210)
Net assets acquired	30,542
Less: non-controlling interests	(2,231)
Goodwill arising from acquisition	137,148
Total consideration paid, satisfied by cash	165,459

A reconciliation of cash consideration paid to the net cash outflow in respect of acquisition of subsidiaries included in investing activities in the consolidated statement of cash flows is as follows:

	2019 US$'000
Cash consideration paid	(165,459)
Cash and short term funds acquired	1,741
Net cash outflow in respect of acquisition of subsidiaries	(163,718)

In the year ended 30 June 2019, Manuka Health contributed revenue of US$36.0 million and profit of US$0.8 million. If the acquisition had occurred at the beginning of the year, the continuing revenues of the combined entity in the 12 months to 30 June 2019 would have been US$75.4 million and loss would have been US$2.2 million.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(ii) Acquisition of assets

On 4 September 2018, the Group acquired 100 per cent of the issued share capital of The Center (50) Limited for an aggregate consideration of HK$1,063.1 million (approximately US$136.3 million).

The Center (50) Limited is engaged in properties investment. Given that the underlying set of assets acquired were not integrated in forming businesses to generate revenues, the acquisition of the entity was purchase of net assets which did not constitute business combinations for accounting purposes.

	2019 US$'000
Net assets acquired:	
Property, plant and equipment	138,224
Other receivables	270
Other payables	(755)
Tax payable	(146)
Deferred tax liabilities	(1,269)
Net assets acquired, satisfied by cash	136,324

(b) Disposal of subsidiaries

In 2020, the Group disposed its investment in a subsidiary, Beijing Ming Hua Property Co. Ltd. for a consideration of RMB23.9 million (approximately US$3.4 million).

The cash flows and net assets relating to the subsidiaries disposed are summarised as follows:

	2020 US$'000
Net assets disposed of:	
Properties held for sales	948
Trade and other receivables	2
Cash and cash equivalents	515
Trade and other payables	(10)
Net assets disposed of	1,455
Less: Non-controlling interests	(473)
Reclassification of exchange translation reserve on disposal of subsidiary	422
Net gain on disposal of subsidiary	2,020
Total consideration	3,424
Less: Cash and cash equivalents	(515)
Net consideration receivable	2,909

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(b) Disposal of subsidiaries (cont'd)

During the year ended 30 June 2019, the Group disposed its investment in subsidiaries, Clermont Leisure (UK) Limited, Clearflight Limited and The Clermont Club Limited, for a consideration of US$30.9 million.

The cash flows and net assets relating to the subsidiaries disposed are summarised as follows:

	2019 US$'000
Net assets disposed of:	
Assets held for sale	31,512
Property, plant and equipment	259
Trade and other receivables	548
Cash and short term funds	836
Trade and other payables	(381)
Deferred tax liabilities	(1,640)
Net assets disposed of	31,134
Reclassification of exchange translation reserve on disposal of subsidiaries	(17,466)
Net gain on disposal of subsidiaries	17,208
Total consideration	30,876
Less: Cash balances of subsidiary disposed	(836)
Net cash inflow in respect of disposal of a subsidiary	30,040

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 their assets are held in separate funds administered by independent trustees. Actuarial valuations are carried out at least once every three years. The Group has set aside sufficient funds to fund the schemes.

These defined benefit pension schemes expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The plans are funded by contributions from the Group's subsidiaries in accordance with the schedule of contributions between the trustees and the Group's subsidiaries following each triennial actuarial valuation carried out by independent actuaries, using the projected unit credit method. The latest independent actuarial valuations of the plans in United Kingdom were at 1 May 2017 and were prepared by qualified staff of Aon Hewitt Limited, who are members of the Institute and Faculty of Actuaries. The latest independent actuarial valuations of the plans in New Zealand were at 31 March 2018 and were prepared by qualified staff of MCA NZ Limited, who are fellow members of the New Zealand Society of Actuaries. The actuarial valuations indicate that the Group's combined obligations under these defined benefit retirement plans are 103.0% (2019: 103.8%) covered by the plan assets held by the trustees.

The amounts recognised in the consolidated statement of financial position are as follows:

	2020 US$'000	2019 US$'000
Present value of funded obligations	136,405	123,063
Less: Fair value of plan assets	(140,481)	(127,774)
Present value of net surplus of funded plans	(4,076)	(4,711)
Present value of unfunded obligations	4,955	5,089
Net liabilities in the consolidated statement of financial position	879	378

A portion of the above net liabilities 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)

(i) Changes in the present value of the defined benefit obligation are as follows:

	2020 US$'000	2019 US$'000
At 1 July	123,063	120,560
Current service costs	175	438
Interest cost	2,769	3,290
Actuarial losses	19,769	7,219
Benefits paid	(5,049)	(3,922)
Exchange differences	(4,322)	(4,522)
At 30 June	136,405	123,063

(ii) Changes in the fair value of plan assets are as follows:

	2020 US$'000	2019 US$'000
At 1 July	(127,774)	(129,451)
Contributions from the Group	(3,051)	(4,095)
Benefits paid	5,049	3,922
Actuarial gains	(19,128)	(2,995)
Exchange differences	4,423	4,845
At 30 June	(140,481)	(127,774)

(iii) Movements in the net (assets)/liabilities for defined benefit pension scheme recognised in the consolidated statement of financial position are as follows:

	2020 US$'000	2019 US$'000
At 1 July	(4,711)	(8,891)
Contributions paid	(3,051)	(4,095)
Expenses recognised in profit or loss	87	328
Expenses recognised in other comprehensive income	3,498	7,624
Exchange differences	101	323
At 30 June	(4,076)	(4,711)

37. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

(iv) Expenses/(income) recognised in consolidated income statement and consolidated statement of comprehensive income are as follows:

	2020 US$'000	2019 US$'000
Current service costs	175	61
Net interest (income)/expense on obligation	(123)	70
Net actuarial losses recognised	3,533	7,821
	3,585	7,952

(v) Plan assets comprise of:

	2020 US$'000	2019 US$'000
Equity/diversified growth fund	84,526	65,800
Bond	45,234	61,164
Insurance policy	6,450	–
Cash	4,271	810
	140,481	127,774

(vi) Principal actuarial assumptions as at the reporting date (expressed as weighted averages) are as follows:

	2020	2019
Discount rate	1.45% to 3.00%	2.30% to 3.00%
Rates of increase to pensions in payment		
– Retail Price Index maximum 5% per annum	2.75%	3.00%
– Consumer Price Index maximum 3% per annum	1.95%	1.80%
– Consumer Price Index maximum 2.5% per annum	1.80%	1.65%
Rate of increase in salaries	1.00%	3.70%

37. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

(vi) Principal actuarial assumptions as at the reporting date (expressed as weighted averages) are as follows: (cont'd)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Increase US$'000	Decrease US$'000
2020		
Discount rate (1% movement)	(21,962)	21,976
Rate of increase to pensions in payment (1% movement)	7,138	(7,138)
Rate of increase in salaries (1% movement)	123	(123)
Future mortality (1% movement)	4,632	(4,393)
2019		
Discount rate (1% movement)	(19,930)	19,948
Rate of increase to pensions in payment (1% movement)	5,733	(5,733)
Rate of increase in salaries (1% movement)	127	(127)
Future mortality (1% movement)	4,205	4,086

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

37. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

Other pension commitment

Rank has an unfunded pension commitment relating to three former executives of Rank. At 30 June 2020, Rank's commitment was US$4.9 million (2019: US$5.1 million). Rank paid US$0.2 million (2019: US$0.3 million) in pension payments during the year. The actuarial gain arising on the commitment, resulting from the changes in assumptions outlined below in the year, was US$0.1 million (2019: nil) after taxation.

Assumptions used to determine the obligations at:

	2020	2019
Discount rate per annum	1.4%	2.3%
Pension increases per annum	2.8%	3.2%

The obligation has been calculated using the S2 mortality tables with a 1.5% per annum improvement in life expectancy.

(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 operate a Central Provident Fund Scheme ("CPF Scheme") which is a defined contribution scheme. Under this CPF Scheme, the subsidiary's contribution is 7.5 percent to 17 percent of employees' monthly salaries and is expensed as incurred.

During the year, the Group's cost incurred on employees pension schemes were US$12,968,000 (2019: US$13,096,000) and forfeited contributions in the amount of US$7,000 (2019: US$2,000) were used to reduce current year's contributions.

38. 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 counterparties and countries to manage concentration risk.

The Group's credit exposure in the 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 does not hold any collateral over the receivables balances.

The Group measures loss allowance for trade debtors in accordance with accounting policy in note 2(k)(i). The allowance for expected credit losses is insignificant.

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.

38. 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 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 prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020 Contractual undiscounted cash flow						2019 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$'000	Carrying amount at 30 June 2020 US$'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$'000	Carrying amount at 30 June 2019 US$'000
Non-derivative financial liabilities												
Bank loans and other loans	(990,427)	(451,821)	(2,913,669)	-	(4,355,917)	(4,129,169)	(612,077)	(978,799)	(2,585,539)	(2,835)	(4,179,250)	(3,850,320)
Unsecured medium term notes and bonds	(111,758)	(271,548)	(139,505)	(143,759)	(666,570)	(609,035)	(152,372)	(110,277)	(401,976)	-	(664,625)	(608,437)
Secured mortgage debenture stock	(5,349)	(73,290)	-	-	(78,639)	(69,133)	(5,529)	(5,529)	(77,551)	-	(88,609)	(71,858)
Trade and other payables	(315,155)	(8,344)	(46,141)	(1,374)	(371,014)	(371,014)	(357,780)	(48,992)	(9,200)	(19,144)	(435,116)	(433,119)
Lease liabilities (note)	(115,409)	(93,252)	(238,404)	(2,271,794)	(2,718,859)	(1,002,605)	-	-	-	-	-	-
	(1,538,098)	(898,255)	(3,337,719)	(2,416,927)	(8,190,999)	(6,180,956)	(1,127,758)	(1,143,597)	(3,074,266)	(21,979)	(5,367,600)	(4,963,734)
Derivative financial liabilities												
Derivatives settled net:												
Interest rate swaps	(16,153)	(13,956)	(14,427)	-	(44,536)		(8,446)	(3,809)	(8,033)	-	(20,288)	
Derivatives settled gross:												
Forward foreign exchange contracts												
- outflows	(4,243,748)	-	-	-	(4,243,748)		(3,261,312)	-	-	-	(3,261,312)	
- inflows	4,277,821	-	-	-	4,277,821		3,252,001	-	-	-	3,252,001	
	17,920	(13,956)	(14,427)	-	(10,463)		(17,757)	(3,809)	(8,033)	-	(29,599)	

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 4.

38. 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 appropriate. As at 30 June 2020, the Group had interest rate swaps with outstanding notional amount of US$1,338.5 million (2019: US$1,598.4 million).

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest earning financial assets and interest bearing financial liabilities at the end of the reporting period.

	2020 Effective interest rate	2020 US$'000	2019 Effective interest rate	2019 US$'000
Floating rate financial liabilities				
Bank loans and other borrowings	0.45% to 4.89%	(4,071,107)	0.547% to 6%	(3,781,903)
		(4,071,107)		(3,781,903)
Fixed rate financial assets/(liabilities)				
Deposits with banks	0.06% to 4.25%	1,063,292	0.15% to 5.50%	1,368,869
Bank loans and other borrowings	3.4% to 7.88%	(736,230)	3.62% to 7.88%	(748,712)
Lease liabilities (note)	2.8% to 5.19%	(1,002,605)	N/A	–
		(675,543)		620,157
Total		(4,746,650)		(3,161,746)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 4.

(ii) Sensitivity analysis

At 30 June 2020, it is estimated that a general increase/decrease of 1 to 25 basis points (2019: 1 to 50 basis points) in interest rates respective for the Group's various currencies, mainly United States dollars, Pound sterling, Hong Kong dollars, Singapore dollars and Malaysian ringgit, with all other variables held constant, would have decreased/increased the Group's profit and total equity by approximately US$2.5 million (2019: decreased/increased of US$2.9 million).

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 reporting 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 reporting 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 as for 2019.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(d) Foreign currency risk

Structural foreign currency positions arise mainly on overseas investments in Singapore, Malaysia, China 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.

(i) Exposure to foreign currency risk

The following table details the Group'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.

	2020					2019				
	Japenese yen '000	Renminbi '000	Pound sterling '000	Malaysian ringgit '000	Singapore dollars '000	Japenese yen '000	Renminbi '000	Pound sterling '000	Malaysian ringgit '000	Singapore dollars '000
Trade and other receivables	698,642	474,300	73	22,248	-	40,651	143,644	81	59	-
Trading financial assets	19,237,118	-	114,388	55,434	6,601	37,615,835	-	189,380	135,469	9,850
Cash and short term funds	980,391	505,070	20,945	26,356	210	5,370,175	786,162	9,069	33,062	450
Trade and other payables	(555,709)	(36,974)	(38)	(42)	(241)	(1,216)	(68,865)	(136)	(42)	(260)
Bank loans and other borrowings	(20,000,000)	(409,563)	-	-	-	(20,000,000)	(409,563)	(110,000)	-	-
Gross exposure arising from recognised assets and liabilities	360,442	532,833	135,368	103,996	6,570	23,025,445	451,378	88,394	168,548	10,040
Notional amounts of forward exchange contracts at fair value through profit or loss	(153,503)	-	(114,901)	(99,136)	(6,596)	(22,962,113)	1,887,641	(185,260)	(92,500)	(80,123)
Overall net exposure	206,939	532,833	20,467	4,860	(26)	63,332	2,339,019	(96,866)	76,048	(70,083)

38. 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.

	2020			2019		
	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
Japanese yen	1%	12	-	1%	(11)	-
Renminbi	1%	791	-	0.2%	411	-
Pound sterling	5%	1,292	-	5%	(6,008)	-
Malaysian ringgit	1%	12	-	1%	115	-
Singapore dollars	2%	(2)	-	1%	525	-

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 as for 2019.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading financial assets (see note 27) and equity investments at FVOCI (see note 20).

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. 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.

At 30 June 2020, it is estimated that an increase/decrease of 2% to 10% (2019: 0% to 9%) in the market value of the Group's global listed trading securities and equity investments at FVOCI, with all other variables held constant, would have increased/decreased the Group's profit and total equity by US$62.8 million (2019: US$65.4 million) and US$140.6 million (2019: US$116.7 million) respectively. It is assumed that none of the equity investments at FVOCI would be considered impaired as a result of relevant risk variables. The analysis is performed on the same basis as for 2019.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values measurement

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	2020				2019			
	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
Recurring fair value measurements								
Assets								
Equity investment at FVOCI financial assets:								
- Listed	1,057,972	-	-	1,057,972	1,283,779	-	-	1,283,779
- Unlisted	-	46,103	62,289	108,392	-	31,717	51,525	83,242
Trading financial assets:								
- Listed	1,242,924	-	-	1,242,924	1,637,001	-	-	1,637,001
Derivative financial instruments:								
- Forward exchange contracts	-	6,129	-	6,129	-	16,967	-	16,967
- Equity swaps	-	2,773	-	2,773	-	5,357	-	5,357
	2,300,896	55,005	62,289	2,418,190	2,920,780	54,041	51,525	3,026,346
Liabilities								
Derivative financial instruments:								
- Interest rate swaps	-	73,353	-	73,353	-	25,730	-	25,730
- Forward exchange contracts	-	5,562	-	5,562	-	15,398	-	15,398
- Equity swaps	-	1,385	-	1,385	-	1,452	-	1,452
	-	80,300	-	80,300	-	42,580	-	42,580

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values measurement (cont'd)

(i) Financial assets and liabilities measured at fair value (cont'd)

During the years ended 30 June 2020 and 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts is determined based on quotes from market makers or alternative market participants supported by observable inputs including spot and forward exchange rates. The fair value of other derivative financial instruments is determined based on the amount that the Group would receive or pay to terminate the contracts with the independent counterparties at the end of the reporting period, taking into account current observable inputs. The fair value of the unlisted equity investment at FVOCI in Level 2 is determined using a valuation technique based on the net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the unlisted equity investment at FVOCI. The assets held by the unlisted equity investment at FVOCI consist of a publicly traded investment in an active market which is reported at the market closing price.

Information about Level 3 fair value measurements

Other unlisted equity investment at FVOCI carried at fair value are categorised within Level 3 of the fair value hierarchy. The fair values are determined using a valuation technique or based on the net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the investee fund.

The movements during the year in the balance of Level 3 fair value measurements are as follows:

	2020 US$'000	2019 US$'000
At 1 July	51,525	24,162
Additions	11,652	32,098
Net unrealised losses recognised in other comprehensive income during the year	(144)	(4,836)
Others	(885)	–
Exchange adjustments	141	101
At 30 June	62,289	51,525
Total gains or losses for the year reclassified from consolidated other comprehensive income on disposal	–	–

The gains or losses arising from the disposal of the unlisted equity investment at FVOCI are presented in "other net income" in the consolidated income statement. The net unrealised gains arising from the remeasurement of the unlisted equity investment at FVOCI are recognised in fair value reserve in other comprehensive income.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values measurement (cont'd)

(ii) Fair value of financial assets and liabilities carried at other than fair value

Other than for the mortgage debenture stock, the carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2020 and 30 June 2019.

Mortgage debenture stock is measured at fair value at initial recognition and annually thereafter for disclosure on each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the government yield curve at the reporting date plus an adequate credit spread. The fair value of the mortgage debenture stock at 30 June 2020 is estimated to be US$76.0 million (2019: US$82.2 million) and is classified within Level 2 of the fair value hierarchy. The interest rate used to discount estimated cash flows at the reporting date was 1.82% (2019: 1.95%).

(g) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master agreements providing offsetting mechanism under certain circumstances. At the end of the reporting period, the Group and the counterparties have not exercised their rights to offset the financial instruments and the derivatives are settled at gross amount.

39. 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 total equity attributable to equity shareholders of the Company to net debt. Net debt comprises total borrowings less cash and short term funds and trading financial assets.

39. CAPITAL MANAGEMENT (cont'd)

The equity-debt ratio at the end of the reporting period is as follows:

	2020 US$'000	2019 US$'000
Bank loans	4,129,169	3,840,559
Mortgage debenture stock	69,133	71,858
Other borrowings	609,035	618,198
Total borrowings	4,807,337	4,530,615
Less: Cash and short term funds	(1,606,407)	(1,789,796)
Trading financial assets	(1,242,924)	(1,637,001)
Net debt	1,958,006	1,103,818
Total equity attributable to equity shareholders of the Company	7,241,321	7,958,249
Equity-debt ratio	79:21	88:12

40. COMMITMENTS

(a) Operating lease arrangements

(i) As lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2019 US$'000
Within 1 year	102,905
After 1 year but within 5 years	344,565
After 5 years	844,952
	1,292,422

The Group is the lessee in respect of a number of properties, plant and equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to these leases (note 4). From 1 July 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(h), and the details regarding the Group's future lease payments are disclosed in note 33.

40. COMMITMENTS (cont'd)

(a) Operating lease arrangements (cont'd)

(ii) As lessor

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	2020 US$'000	2019 US$'000
Within 1 year	68,898	77,410
After 1 year but within 5 years	98,336	116,792
After 5 years	42,937	2,110
	210,171	196,312

(b) Capital commitments outstanding at year end not provided for in the financial statements

	2020 US$'000	2019 US$'000
Authorised and contracted for	7,049	17,547
Authorised but not contracted for	46,741	15,870
	53,790	33,417

The commitment in respect of development expenditure contracted but not provided for in the financial statements by the Group was US$783.5 million (2019: US$387.5 million).

(c) There were also commitments in respect of foreign currency contracts relating to the normal operations as at 30 June 2020 and 30 June 2019.

41. CONTINGENT LIABILITIES

(a) GuocoLand

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

41. CONTINGENT LIABILITIES (cont'd)

(b) Rank

Property leases

Rank has five property arrangements under which rental payments revert to Rank in the event of default by the third party. A provision has been recognised for one of these property arrangements. In relation to the remaining four arrangements, it is not considered probable that the third party will default. As such, no provision has been recognised in relation to these arrangements. If the third party was to default on these four arrangements, the obligation for Rank would be GBP2.3 million (approximately US$2.8 million) on a discounted basis.

42. 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.

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

	2020 US$'000	2019 US$'000
Interest income	1,469	1,409

(ii) Balance as at 30 June

	2020 US$'000	2019 US$'000
Deposits and short term funds	43,428	41,402

42. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(b) Management fees

On 7 July 2017, the Company entered into two master services agreements 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 2017 to 30 June 2020. Total amount paid or provided for in respect of management fees to GOMC and GGMC for the year ended 30 June 2020 amounted to US$262,000 (2019: US$2,853,000) and US$5,569,000 (2019: US$6,992,000) respectively.

On 7 July 2017, 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 2017 to 30 June 2020. Total amount paid or provided for in respect of management fees to HLMC for the year ended 30 June 2020 amounted to US$88,000 (2019: US$96,000).

(c) Key management personnel information

Emoluments 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:

	2020 US$'000	2019 US$'000
Short-term employee benefits	5,706	12,076

Total emoluments are included in "staff costs" (see note 7(b)).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (a) banking transactions and (b) management fees above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS" of the Report of the Directors.

43. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 US$'000	2019 US$'000
NON-CURRENT ASSETS		
Interest in subsidiaries	3,094,888	2,945,080
Interest in associated company	242,832	242,832
Intangible assets	203	203
	3,337,923	3,188,115
CURRENT ASSETS		
Trade and other receivables	704	5,150
Cash and short term funds	623,958	837,881
	624,662	843,031
CURRENT LIABILITIES		
Amounts due to subsidiaries	104,409	177,006
Trade and other payables	1,675	4,133
	106,084	181,139
NET CURRENT ASSETS	518,578	661,892
NET ASSETS	3,856,501	3,850,007
CAPITAL AND RESERVES		
Share capital (note 35)	164,526	164,526
Reserves (note 35)	3,691,975	3,685,481
TOTAL EQUITY	3,856,501	3,850,007

Approved and authorised for issue by the Board of Directors on 15 September 2020.

Kwek Leng Hai
Tang Hong Cheong
Directors

44. PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent company at 30 June 2020 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 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 30 June 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKAS 1 and Amendments to HKAS 8 – Definition of Material	1 January 2020
HKFRS 9, HKAS 39 and Amendments to HKFRS 7 – Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 3 – Definition of a Business	Note (i)
Amendments to HKFRS 16 – COVID-19-Related Rent Concession	1 June 2020
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 – Property, Plant and Equipment Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS – Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note (ii)

Notes:

(i) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

(ii) Effective for annual periods beginning on or after a date to be determined.

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						
Guoco Midtown situated at Beach Road	Residential/ Commercial#/ Office#	Structural works	December 2022	22,202	90,029	47
Midtown Modern situated at Tan Quee Lan Street	Office/ Residential	Hoarding works completed	*	11,531	48,430	40
Martin Modern situated at Martin Place	Residential	Architectural and external works	June 2021	15,936	49,084	67
Meyer Mansion situated at Meyer Road	Residential	Demolition works	June 2024	7,920	22,175	67
Malaysia						
Emerald 9 situated at Lot 809 and 810 Cheras Batu 8 1/4 and 8 1/2 Jalan Cheras, Daerah Hulu Langat, Selangor	Residential/ Hotel/ Commercial/ Retail	Plot 1: Works in Progress Plot 2: Planning	May 2023 *	41,010	287,235	45
PJ Corporate Park situated at Lot 13507, Seksyen 32, Bandar Petaling Jaya, Daerah Petaling Selangor	Commercial	Planning	*	12,974	38,053	45
Emerald Hills situated at Lot 7585 to 7589, 7597 to 7600 and PT 15231, Mukim Petaling Wilayah Persekutuan, Kuala Lumper	Residential	Phase 1: Works in Progress Phase 2: Planning	June 2022 *	191,658	245,980	45
Oval Kuala Lumpur situated at Seksyen 63, Bandar & Daerah Kuala Lumper, Wilayah Persekutuan Kuala Lumpur	Residential	Completed	TOP obtained in September 2009	7,080	19,172	45
Site situated at Mukim of Jasin, Melaka Darul Amin	Residential	Planning	*	12,967,771	12,967,771	31

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						
Guoco Changfeng City situated at Putuo District Shanghai	Commercial#	Phase 1: Completed	TOP obtained in July 10	143,845	195,400	67
	Hotel^	Completed	TOP obtained in June 10			
	Commercial/Office	Phase 2: Works in progress	April 2022			
18T situated at Yuzhong District Chongqing	Residential/ Commercial	Plot 1 & 2: Works in progress	June 2023	33,097	227,705	50
		Plot 3: Planning	*	6,572	36,225	50
		Plot 4: Planning	*	9,292	77,150	50
Chongqing Central Park situated at Liangjiang District Chongqing	Residential	Planning	*	141,958	197,600	50
Vietnam						
The Canary situated at Thuan An District, Binh Duong Province	Residential/ Commercial	Phases 3 & 4: Planning	*	63,226	113,000	67

* Not available 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 Other Property, Plant and Equipment.

MAJOR PROPERTIES OF THE SUBSIDIARIES HELD FOR INVESTMENT

Location	Existing Use	Tenure of Land
Singapore		
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)
Guoco Tower 1 Wallich Street Singapore 078881	Office building and retail mall	99 years lease with effect from 21 February 2011
Guoco Midtown at Beach Road Lot no. TS12-01037P Singapore	Office building and retail mall	99 years lease with effect from 2 January 2018
Midtown Modern Tan Quee Lan Street	Retail mall	99 years lease with effect from 10 December 2019

Note: The Group disposed of its interests in a 98-year lease (with effect from 19 March 1998) in the freehold land to a third party. Accordingly, the Group recognised its reversionary interests in the freehold land.

Location	Existing Use	Tenure of Land
Malaysia		
Damansara City Lot 58303 Damansara Heights Jalan Damanlela 50490 Kuala Lumpur	Office building and retail mall	Freehold
The People's Republic of China		
Guoco Changfeng City No. 452 Daduhe Road Shanghai	Commercial building	50 years land use rights with effect from 11 December 2005
Hong Kong		
The Center 12th & 15th Floors 99 Queen's Road Central Hong Kong	Office building	From 24 November 1995 to 30 June 2047