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## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>2016</b>	2015	
	<b>HK\$'M</b>	HK\$'M	<i>Decrease</i>
Turnover	<b>18,878</b>	33,771	<i>(44%)</i>
Revenue	<b>17,260</b>	21,748	<i>(21%)</i>
Profit from operations	<b>5,118</b>	5,436	<i>(6%)</i>
Profit attributable to equity shareholders of the Company	<b>3,088</b>	4,625	<i>(33%)</i>
	<b>HK\$</b>	<b>HK\$</b>	
Earnings per share	<b>9.50</b>	14.23	<i>(33%)</i>
Dividend per share : Interim	<b>1.00</b>	1.00	
Proposed final	<b>3.00</b>	3.00	
Total	<b>4.00</b>	4.00	-
Equity per share attributable to equity shareholders of the Company	<b>170.71</b>	177.60	<i>(4%)</i>

## RESULTS

The consolidated results of Guoco Group Limited (the “Company”) and its subsidiaries (together the “Group”) for the financial year ended 30 June 2016 together with comparative figures for the previous year are as follows:

### CONSOLIDATED INCOME STATEMENT

	Note	2016 HK\$'000	2015 HK\$'000
Turnover	2 & 3	<u>18,878,074</u>	<u>33,770,697</u>
Revenue	2 & 3	17,259,678	21,747,872
Cost of sales		(8,972,076)	(11,810,644)
Other attributable costs		<u>(311,460)</u>	<u>(310,671)</u>
		7,976,142	9,626,557
Other revenue		321,555	421,587
Other net income	4	2,241,130	1,608,744
Administrative and other operating expenses		<u>(4,659,176)</u>	<u>(5,195,284)</u>
Profit from operations before finance costs		5,879,651	6,461,604
Finance costs	2(b) & 5(a)	<u>(761,157)</u>	<u>(1,025,426)</u>
Profit from operations	2	5,118,494	5,436,178
Valuation surplus on investment properties		114,828	428,510
Share of profits of associates and joint ventures	5(c)	<u>647,524</u>	<u>930,192</u>
Profit for the year before taxation	2 & 5	5,880,846	6,794,880
Tax expenses	6	<u>(988,849)</u>	<u>(908,153)</u>
Profit for the year		<u>4,891,997</u>	<u>5,886,727</u>
Attributable to:			
Equity shareholders of the Company		3,087,886	4,624,794
Non-controlling interests		<u>1,804,111</u>	<u>1,261,933</u>
Profit for the year		<u>4,891,997</u>	<u>5,886,727</u>
Earnings per share		HK\$	HK\$
Basic	8	<u>9.50</u>	<u>14.23</u>
Diluted	8	<u>9.50</u>	<u>14.23</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 HK\$'000	2015 HK\$'000
<b>Profit for the year</b>	<b>4,891,997</b>	<b>5,886,727</b>
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial (losses)/gains on defined benefit obligation	(74,876)	12,101
Surplus on revaluation of leasehold land and buildings	<b>330,912</b>	-
	<b>256,036</b>	<b>12,101</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	<b>(3,474,703)</b>	(2,955,624)
Exchange translation reserve reclassified to profit or loss upon disposal of subsidiaries	<b>(430,757)</b>	(46,264)
Exchange translation reserve reclassified to profit or loss upon deemed disposal of associate	-	(15,721)
Release of reserves upon liquidation of subsidiaries	-	(88,521)
Changes in fair value of cash flow hedge	<b>(45,857)</b>	(22,489)
Changes in fair value of available-for-sale financial assets	<b>(1,819,769)</b>	872,501
Transfer to profit or loss on disposal of available-for-sale financial assets	-	81,327
Release of valuation reserve upon disposal of properties	<b>(171)</b>	-
Share of other comprehensive income of associates	<b>115,604</b>	143,452
	<b>(5,655,653)</b>	<b>(2,031,339)</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>(5,399,617)</b>	<b>(2,019,238)</b>
<b>Total comprehensive income for the year</b>	<b>(507,620)</b>	<b>3,867,489</b>
<b>Total comprehensive income for the year attributable to:</b>		
Equity shareholders of the Company	<b>(921,020)</b>	3,492,197
Non-controlling interests	<b>413,400</b>	375,292
	<b>(507,620)</b>	<b>3,867,489</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		16,368,835	14,708,484
Other property, plant and equipment		13,093,736	14,556,234
Interest in associates and joint ventures		7,932,862	7,342,114
Available-for-sale financial assets		12,647,934	13,787,439
Deferred tax assets		383,007	-
Intangible assets		7,892,631	9,039,945
Goodwill		1,112,212	1,289,398
Pensions surplus		20,407	80,203
		<b>59,451,624</b>	<b>60,803,817</b>
<b>CURRENT ASSETS</b>			
Development properties		12,309,519	24,853,204
Properties held for sale		5,881,436	7,906,293
Trade and other receivables	9	4,018,355	5,536,002
Trading financial assets		13,495,039	7,549,450
Cash and short term funds		18,976,235	20,477,389
Assets held for sale		-	870,912
		<b>54,680,584</b>	<b>67,193,250</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	6,099,452	6,637,198
Bank loans and other borrowings		14,653,395	12,078,105
Taxation		887,631	1,112,605
Provisions and other liabilities		103,197	131,723
Liabilities held for sale		-	567,946
		<b>21,743,675</b>	<b>20,527,577</b>
<b>NET CURRENT ASSETS</b>		<b>32,936,909</b>	<b>46,665,673</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>92,388,533</b>	<b>107,469,490</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings		19,849,621	32,032,835
Amount due to non-controlling interests		1,207,626	970,471
Provisions and other liabilities		491,992	618,210
Deferred tax liabilities		381,238	529,729
		<b>21,930,477</b>	<b>34,151,245</b>
<b>NET ASSETS</b>		<b>70,458,056</b>	<b>73,318,245</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		1,276,582	1,275,414
Reserves		54,896,149	57,163,694
Total equity attributable to equity shareholders of the Company		56,172,731	58,439,108
Non-controlling interests		14,285,325	14,879,137
<b>TOTAL EQUITY</b>		<b>70,458,056</b>	<b>73,318,245</b>

## Notes:

### 1. ACCOUNTING POLICIES AND 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.

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

In addition, the disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) became effective at the start of the Company's financial year ended 30 June 2016 in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The adoption of the disclosure requirements has primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include updating any references to the Hong Kong Companies Ordinance to refer to the current Hong Kong Companies Ordinance and replacing certain terminology no longer used in the Hong Kong Companies Ordinance with terminology used in HKFRS. The Group has not applied any new standard or interpretation that is not yet effective for the year ended 30 June 2016.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2016 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.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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.

## 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### (c) HONG KONG DOLLAR AMOUNTS

The audited consolidated financial statements of the Group are expressed in the United States dollar ("USD"), which is the functional currency of the Company. The Hong Kong dollar ("HKD") figures presented in the sections entitled "FINANCIAL HIGHLIGHTS" and "RESULTS" are the HKD equivalents of the corresponding USD figures in the audited consolidated financial statements, which are translated at the rates prevailing at the respective financial year ends for presentation purposes only (2016: US\$1 = HK\$7.75915, 2015: US\$1 = HK\$7.75205).

## 2. SEGMENT REPORTING

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

<b>Segment</b>	<b>Business activities</b>	<b>Operated by</b>
Principal investment:	This segment covers equity and direct investments as well as treasury operations, with trading and strategic investments in global capital markets.	Subsidiaries
Property development and investment:	This segment involves development of residential and commercial properties and holding properties for rental income in the key geographical markets of Singapore, China, Malaysia, Vietnam and Hong Kong.	Subsidiaries
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, stock and commodities broking, bullion trading and corporate advisory services.	Subsidiaries and associate
Oil and gas:	This segment receives royalty income from the entitlement of Bass Strait's oil and gas production in Australia.	Subsidiary

Performance is evaluated on the basis of profit or loss from operations before taxation. Inter-segment pricing is determined on an arm's length basis. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from the financial year 2014/15.

## 2. SEGMENT REPORTING (cont'd)

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

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

	Principal investment HK\$'000	Property development and investment HK\$'000	Hospitality and leisure HK\$'000	Financial services HK\$'000	Oil and gas HK\$'000	Total HK\$'000
<b>Segment revenue and profit or loss</b>						
<b>For the year ended 30 June 2016</b>						
Turnover	2,710,985	5,046,373	11,087,763	32,953	-	18,878,074
Revenue from external customers	1,092,589	5,046,373	11,087,763	32,953	-	17,259,678
Inter-segment revenue	34,140	6,999	-	3,988	-	45,127
Reportable segment revenue	1,126,729	5,053,372	11,087,763	36,941	-	17,304,805
Operating profit/(loss)	(351,404)	4,383,509	1,556,633	174,852	132,301	5,895,891
Finance costs	(280,687)	(323,913)	(167,443)	(5,354)	-	(777,397)
Valuation surplus on investment properties	-	114,828	-	-	-	114,828
Share of profits of associates and joint ventures	-	1,319	-	646,205	-	647,524
Profit/(loss) before taxation	(632,091)	4,175,743	1,389,190	815,703	132,301	5,880,846
<b>Segment assets and liabilities</b>						
<b>At 30 June 2016</b>						
Reportable segment assets	35,142,781	47,003,821	23,457,105	-	595,639	106,199,346
Interest in associates and joint ventures	-	639,168	-	7,293,694	-	7,932,862
Total assets	35,142,781	47,642,989	23,457,105	7,293,694	595,639	114,132,208
Reportable segment liabilities	10,101,738	25,392,129	8,180,285	-	-	43,674,152

## 2. SEGMENT REPORTING (cont'd)

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

	Principal investment HK\$'000	Property development and investment HK\$'000	Hospitality and leisure HK\$'000	Financial services HK\$'000	Oil and gas HK\$'000	Total HK\$'000
<b>Segment revenue and profit or loss</b>						
<b>For the year ended 30 June 2015</b>						
Turnover	13,098,104	8,864,291	11,725,340	82,962	-	33,770,697
Revenue from external customers	1,075,279	8,864,291	11,725,340	82,962	-	21,747,872
Inter-segment revenue	44,334	9,768	-	8,744	-	62,846
Reportable segment revenue	1,119,613	8,874,059	11,725,340	91,706	-	21,810,718
Operating profit	2,467,647	2,305,964	1,478,820	19,690	213,646	6,485,767
Finance costs	(320,082)	(376,912)	(341,052)	(11,543)	-	(1,049,589)
Valuation surplus on investment properties	-	428,510	-	-	-	428,510
Share of profits of associates and joint ventures	-	12,365	-	917,827	-	930,192
Profit before taxation	2,147,565	2,369,927	1,137,768	925,974	213,646	6,794,880
<b>Segment assets and liabilities</b>						
<b>At 30 June 2015</b>						
Reportable segment assets	37,274,368	55,259,365	26,491,615	989,797	639,808	120,654,953
Interest in associates and joint ventures	-	705,235	-	6,636,879	-	7,342,114
Total assets	37,274,368	55,964,600	26,491,615	7,626,676	639,808	127,997,067
Reportable segment liabilities	10,553,897	32,784,668	10,809,792	530,465	-	54,678,822



## 2. SEGMENT REPORTING (cont'd)

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

#### Revenue

	2016 HK\$'000	2015 HK\$'000
Reportable segment revenue	17,304,805	21,810,718
Elimination of inter-segment revenue	<u>(45,127)</u>	<u>(62,846)</u>
Consolidated revenue (note 3)	<u>17,259,678</u>	<u>21,747,872</u>

#### Finance costs

	2016 HK\$'000	2015 HK\$'000
Reportable finance costs	777,397	1,049,589
Elimination of inter-segment finance costs	<u>(16,240)</u>	<u>(24,163)</u>
Consolidated finance costs (note 5(a))	<u>761,157</u>	<u>1,025,426</u>

## 2. SEGMENT REPORTING (cont'd)

### (c) Geographical information

The following table illustrates the geographical location of the Group's revenue from external customers, profit/(loss) from operations, the Group's total assets and non-current assets other than financial instruments, 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		Profit/(loss) from operations	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China				
- Hong Kong	<b>1,138,159</b>	1,165,862	<b>(471,686)</b>	2,150,991
- Mainland China	<b>1,520,770</b>	2,368,895	<b>3,408,688</b>	527,938
United Kingdom and Continental Europe	<b>10,872,726</b>	11,461,421	<b>1,401,186</b>	1,182,878
Singapore	<b>2,898,539</b>	6,469,752	<b>(Note) 460,319</b>	1,373,818
Australasia and others	<b>829,484</b>	281,942	<b>319,987</b>	200,553
	<b>17,259,678</b>	<b>21,747,872</b>	<b>5,118,494</b>	<b>5,436,178</b>
	Total assets		Specified non-current assets	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China				
- Hong Kong	<b>35,523,313</b>	38,020,441	<b>780,571</b>	453,844
- Mainland China	<b>10,670,259</b>	21,348,479	<b>1,211,498</b>	1,157,722
United Kingdom and Continental Europe	<b>20,322,129</b>	24,022,223	<b>18,616,715</b>	21,632,189
Singapore	<b>32,119,521</b>	28,779,284	<b>15,538,714</b>	13,991,210
Australasia and others	<b>15,496,986</b>	15,826,640	<b>10,252,778</b>	9,701,210
	<b>114,132,208</b>	<b>127,997,067</b>	<b>46,400,276</b>	<b>46,936,175</b>

#### Note:

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

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

## 2. SEGMENT REPORTING (cont'd)

### (c) Geographical information (cont'd)

Accordingly, operating profits of GuocoLand for the year amounting to HK\$138.1 million (2015: HK\$12.4 million) in Singapore have been deferred for recognition in the Group's consolidated financial statements. The Group has not recognised any operating profits of GuocoLand for the year (2015: HK\$507.0 million) which have been deferred in previous years. Up to 30 June 2016, accumulated operating profits of GuocoLand totalling HK\$154.4 million (2015: HK\$17.8 million) in Singapore have been deferred for recognition, and will be recognised by the Group upon completion of the relevant development projects in subsequent years.

## 3. TURNOVER AND REVENUE

The principal activity of the Company is investment holding and investment management. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include principal investment, property development and investment, hospitality and leisure, stock and commodities broking, bullion trading and corporate advisory services.

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

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Revenue from sale of properties	<b>4,754,303</b>	8,615,884
Revenue from hospitality and leisure	<b>11,077,746</b>	11,692,673
Interest income	<b>238,679</b>	351,121
Dividend income	<b>991,736</b>	848,602
Rental income from properties	<b>133,791</b>	139,676
Securities commission and brokerage	<b>17,171</b>	44,799
Others	<b>46,252</b>	55,117
Revenue	<b>17,259,678</b>	21,747,872
Proceeds from sale of investments in securities	<b>1,618,396</b>	12,022,825
Turnover	<b><u>18,878,074</u></b>	<b><u>33,770,697</u></b>

#### 4. OTHER NET INCOME

	2016 HK\$'000	2015 HK\$'000
Net realised and unrealised (losses)/gains on trading financial assets	(1,308,332)	813,787
Net realised and unrealised gains/(losses) on derivative financial instruments	15,169	(1,450)
Net realised gains on disposal of available-for-sale financial assets	-	683,754
Net gains on foreign exchange contracts	161,056	459,022
Other exchange losses	(97,920)	(450,448)
Net gains/(losses) on disposal of property, plant and equipment	109,505	(419)
Net losses on disposal of intangible assets	(248)	-
Net gains/(losses) on disposal of subsidiaries and associates	3,300,246	(19,233)
Net gains on liquidation of subsidiaries	-	88,521
Other income	61,654	35,210
	<u>2,241,130</u>	<u>1,608,744</u>

#### 5. PROFIT FOR THE YEAR BEFORE TAXATION

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

(a) Finance costs	2016 HK\$'000	2015 HK\$'000
Interest on bank loans and other borrowings wholly repayable within five years	1,203,630	1,603,876
Interest on bank loans and other borrowings not wholly repayable within five years	49,783	53,722
Other borrowing costs	88,478	71,063
Total borrowing costs	<u>1,341,891</u>	<u>1,728,661</u>
Less: borrowing costs capitalised into:		
- development properties	(202,273)	(385,540)
- investment properties	(334,947)	(33,768)
- other property, plant and equipment	(43,514)	(283,927)
Total borrowing costs capitalised (Note)	<u>(580,734)</u>	<u>(703,235)</u>
	<u>761,157</u>	<u>1,025,426</u>

Note: These borrowing costs have been capitalised at rates of 1.91% to 8.00% per annum (2015: 1.57% to 8.00%).

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

<b>(b) Staff cost</b>	<b>2016</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>
Contributions to defined contribution retirement plans	95,717	87,420
Expenses recognised in respect of defined benefit retirement plans	5,253	6,892
Equity-settled share-based payment expenses	17,807	19,628
Salaries, wages and other benefits	<u>3,550,370</u>	<u>3,811,047</u>
	<u><b>3,669,147</b></u>	<u><b>3,924,987</b></u>
<b>(c) Other items</b>	<b>2016</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>
Depreciation	678,949	687,514
Impairment losses recognised/(reversed)		
- other property, plant and equipment	16,364	14,171
- intangible assets	(16,224)	(31,419)
- development properties	(11,096)	-
- properties held for sale	28,569	-
Amortisation		
- casino licences and brand names	10,964	11,147
- Bass Strait oil and gas royalty	24,232	27,621
- other intangible assets	91,573	62,102
Operating lease charges		
- properties	577,855	606,319
- others	63,066	47,815
Auditors' remuneration		
- audit services	15,930	16,566
- tax services	1,536	1,302
- other services	2,149	1,178
Donations	<u>7,938</u>	<u>7,628</u>
Gross rental income from investment properties	<b>(133,791)</b>	<b>(139,676)</b>
Less: direct outgoings	<u>36,662</u>	<u>37,311</u>
Net rental income	<u><b>(97,129)</b></u>	<u><b>(102,365)</b></u>
Share of (profits)/losses of associates and joint ventures:		
- associates	<b>(655,275)</b>	<b>(941,634)</b>
- joint ventures	<u>7,751</u>	<u>11,442</u>
	<u><b>(647,524)</b></u>	<u><b>(930,192)</b></u>

## 6. TAX EXPENSES

Taxation in the consolidated income statement represents:

	2016 HK\$'000	2015 HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	2,320	279,222
Under/(over)-provision in respect of prior years	590	(16)
	<u>2,910</u>	<u>279,206</u>
Current tax - Overseas		
Provision for the year	1,415,393	786,523
Over-provision in respect of prior years	(42,807)	(229,275)
	<u>1,372,586</u>	<u>557,248</u>
Deferred tax		
Origination and reversal of temporary differences	(359,505)	60,063
Utilisation of deferred tax asset in relation to tax losses	10,816	14,078
Effect of changes in tax rate on deferred tax balances	(37,958)	(2,442)
	<u>(386,647)</u>	<u>71,699</u>
	<u><u>988,849</u></u>	<u><u>908,153</u></u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year ended 30 June 2016. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

## 7. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Dividends payable/paid in respect of the current year:		
- Interim dividend of HK\$1.00 (2015: HK\$1.00) per ordinary share	325,256	324,888
- Proposed final dividend of HK\$3.00 (2015: HK\$3.00) per ordinary share	987,158	987,154
	<u>1,312,414</u>	<u>1,312,042</u>
Dividends paid/(refunded) in respect of the prior year:		
- Final dividend of HK\$3.00 (2015: HK\$3.00) per ordinary share	976,194	975,146
- Refund of unclaimed dividends	-	(1,752)
	<u>976,194</u>	<u>973,394</u>

## 7. DIVIDENDS (cont'd)

The final dividend proposed for the year ended 30 June 2016 of HK\$987,158,000 (2015: HK\$987,154,000) is calculated based on 329,051,373 ordinary shares (2015: 329,051,373 ordinary shares) in issue as at 30 June 2016.

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.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$3,087,886,000 (2015: HK\$4,624,794,000) and the weighted average number of 325,024,511 ordinary shares (2015: 325,024,511 ordinary shares) in issue during the year.

### (b) Diluted earnings per share

For the years ended 30 June 2016 and 2015, the diluted earnings per share equalled the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years.

## 9. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade debtors	501,939	1,774,964
Accrued receivables for sales consideration not yet billed on completed development properties	1,044,777	2,122,503
Other receivables, deposits and prepayments	2,073,998	1,386,594
Derivative financial instruments, at fair value	375,830	219,313
Interest receivables	21,811	32,628
	<u>4,018,355</u>	<u>5,536,002</u>

Included in the Group's trade and other receivables is HK\$93.9 million (2015: HK\$90.7 million) which is expected to be recovered after one year.

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

	2016 HK\$'000	2015 HK\$'000
Within 1 month	405,276	1,757,111
1 to 3 months	71,981	11,248
More than 3 months	24,682	6,605
	<u>501,939</u>	<u>1,774,964</u>

## 10. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade creditors	1,488,236	889,532
Other payables and accrued operating expenses	3,876,937	5,406,753
Derivative financial instruments, at fair value	587,794	209,120
Amounts due to fellow subsidiaries	146,066	131,413
Amounts due to associates	419	380
	<u>6,099,452</u>	<u>6,637,198</u>

Included in trade and other payables is HK\$848.9 million (2015: HK\$943.4 million) which is expected to be payable after one year.

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

	2016 HK\$'000	2015 HK\$'000
Within 1 month	1,433,317	678,567
1 to 3 months	19,219	74,707
More than 3 months	35,700	136,258
	<u>1,488,236</u>	<u>889,532</u>

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



## **DIVIDEND**

The Directors will recommend to the shareholders for approval at the forthcoming annual general meeting a final dividend of HK\$3.00 per share, totalling HK\$987.2 million payable for the financial year ended 30 June 2016. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 21 November 2016, the final dividend will be payable on 6 December 2016 to the shareholders whose names appear on the Register of Members of the Company on 29 November 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

The audited consolidated profit attributable to equity shareholders for the year ended 30 June 2016, after taxation and non-controlling interests, amounted to HK\$3,088 million, as compared to HK\$4,625 million for the previous year. Basic earnings per share amounted to HK\$9.50.

For the year ended 30 June 2016, profits before taxation were generated from the following sources:

- property development and investment of HK\$4,500 million;
- hospitality and leisure of HK\$1,557 million;
- financial services of HK\$821 million;
- oil and gas royalty of HK\$132 million;
- a net operating loss of HK\$352 million from principal investment;

and were set off by HK\$777 million of finance costs.

Revenue decreased by 21% to HK\$17.3 billion. The decrease was mainly resulted from the decline of property development and investment sector of HK\$3.8 billion.

### **Review of Operations**

#### **Principal Investment**

Our investment strategy has always been to identify important market and sector cycles as well as laggards with good recovery potential. Due to the U.S. stock market being over-valued relative to its long term valuation and the European stock markets having enjoyed a multi-year rally subsequent to the Greek debt crisis, we chose to focus on the moribund Chinese stock market and the under-performing Japanese stock market. We began investing in Chinese stocks after a sharp correction and building our positions in Japan at the end of the year after the negative interest rate policy had backfired on the foreign exchange market and concomitantly the stock market. While our investment portfolio reported losses as at financial year end date, its overall value has registered above the mark-to-market prices as of date of writing.

With the commitment of G-20 countries to avoid competitive depreciation, foreign exchange management became more challenging as the movement of currencies became less congruent with economic development. Money market yields fell as fund managers pursued returns but our Treasury team was able to lessen the impact to interest expenses with yield enhancement strategies.

## Property Development and Investment

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

GuocoLand ended the financial year 2015/16 with a profit attributable to equity holders of S\$606.7 million on the back of revenue of S\$1,059.8 million.

Revenue for the current financial year decreased by 9% mainly due to lower revenue recognised for Singapore and China. In the previous financial year, Goodwood Residence in Singapore and Seasons Park in Tianjin were substantially sold, while the sale of the serviced apartments in Shanghai Guoson Centre was also completed. The lower revenue was partially offset by revenue recognised in the current financial year for DC Residency in Malaysia as the Temporary Occupation Permit for the project was obtained in November 2015 and the progressive revenue recognition from the sale of Sims Urban Oasis in Singapore. The fall in revenue and change in sales mix have led to a 25% decrease in gross profit as compared to the previous financial year.

Other income for the current financial year increased by S\$523.5 million, mainly due to a gain from GuocoLand’s disposal of subsidiaries relating to the Dongzhimen project. GuocoLand’s tax expense increased by S\$75.8 million in the current financial year, primarily because of this transaction.

Administrative expenses for the current financial year reduced by 22% to S\$83.7 million as compared to the previous financial year. The lower professional fees for China operations were partially offset by an increase in other indirect administrative expenses. Finance costs fell by 9% to S\$58.6 million as a result of lower loans and borrowings in the current financial year.

Driven by the strong profit recorded for the year, equity attributable to ordinary equity holders of GuocoLand was S\$3.28 billion as at 30 June 2016, an increase of 12% from 30 June 2015.

### Singapore

Compared with the previous financial year, revenue from Singapore decreased by 9% to S\$651.3 million in the current financial year. Although Singapore continues to be the main revenue contributor for GuocoLand, its segmental profit before tax decreased by 31% to S\$155.9 million mostly due to the change in sales mix for the two periods under review.

In Singapore, the property market remains challenging although there are early signs that the residential property market is stabilising. According to the second quarter of 2016 real estate statistics released by the Urban Redevelopment Authority of Singapore (“URA”), the price index for the overall private residential market declined by 0.4% in the second quarter of 2016 which was the smallest quarterly decline seen in the 11 straight quarters of correction. GuocoLand remains committed to the Singapore residential market as reflected in its recent success against a large number of participants in the tender for the residential site at Martin Place.

*Note: The above figures are before the S\$24.7 million of operating profits deferred under HKFRS as set out in Note 2(c).*

## China

China contributed revenue of S\$272.4 million, a drop of 32% as compared to the previous financial year. However, boosted by the gain from disposal of the Dongzhimen project in the current financial year, segment profit before tax from China increased by nearly six-fold to S\$602.0 million.

In China, new home prices continue to rise month-on-month in 55 out of 70 cities surveyed by the National Bureau of Statistics of the People's Republic of China in June 2016. Prices in Shanghai rose 2.4% month-on-month and 33.7% year-on-year in June 2016. Recent property cooling measures introduced in the larger cities have started to slow down the price increase in these cities.

## Malaysia

Whilst revenue from Malaysia improved by S\$91.3 million to S\$131.1 million from last year, its segment profit before tax decreased by 18% to S\$63.1 million. This was because the higher profit from sales was offset by a lower fair value gain from its investment properties for the current financial year.

In Malaysia, the property market outlook and sentiment continue to be cautious. Notwithstanding this, GuocoLand continues to see opportunities in the Malaysia market. In July 2016, GuocoLand's Malaysian subsidiary entered into a sale and purchase agreement for the proposed acquisition of two land parcels located in Mukim Cheras in Negeri Selangor. The acquisition is expected to be completed in the fourth quarter of 2016.

## Hospitality and Leisure

### ***GL Limited ("GL")***

GL recorded a profit after tax for the year ended 30 June 2016 of US\$67.4 million, an increase of 42% as compared to US\$47.5 million in the previous financial year, with strong profit growth out of the hospitality division, glh Hotels, although driven primarily by some non-operating support with lower interest costs and a one-off gain.

Revenue stood at US\$393.9 million, which was 7% below that of the previous financial year, principally due to lower hotel revenue in USD terms as a result of the weakening of the GBP/USD exchange rate which worsened after the Brexit referendum. A softness in the second half London market occupancy also impacted glh's top line performance.

Bass Strait oil and gas royalty income was lower compared to previous financial year. Lower average crude oil prices and the decline in oil production have negatively impacted the royalty income during the year. Apart from this, the weakening of the AUD/USD exchange rate also affected the overall royalty earnings. However, this was offset by higher revenue generated by the gaming and property development segments as a result of improved gaming drop and win margin, and land disposal respectively.

Cost of sales also decreased by 7% as compared to the previous financial year which was again a function of the weakened GBP/USD exchange rate, partially offset by higher gaming duty in tandem with the increase in gaming revenue.

Other operating income was higher due to the one-off compensation amount received from the cessation of management of 19 regional Thistle Hotels owned by a third party.

Administrative expenses also decreased by 6% for the year which was generally attributable to the soft GBP/USD exchange rate, as well as reflecting overall cost disciplines.

Lower financing costs for the financial year were primarily due to savings in interest costs resulting from the refinancing of mortgage debentures with a term loan in December 2014 at the hotel segment.

Lower income tax expenses were associated with the lower Bass Strait oil and gas royalty income and the income tax benefit from the hotel segment.

GL's net assets before non-controlling interests as at 30 June 2016 decreased by 9% to US\$1,051.2 million from US\$1,152.1 million as at 30 June 2015 principally attributed to the net foreign exchange translation loss during the year.

GL expects an extended period of volatility for the hotel industry in the UK in the months ahead. Performance of the London hotel market may be negatively impacted during this period as businesses adjust to this new reality after the EU exit referendum. The weakness in the British Pound could provide a boost for inbound travel into the UK, but at the same time adversely impact its hotel division's revenue growth and the carrying value of its hotel properties in USD terms. GL is continuing with the refurbishment of its other hotels and expects to launch three refurbished hotels in the next year and to maintain a cautious outlook.

GL's hotel division recently unveiled plans for a Hard Rock Hotel London in collaboration with Hard Rock International. A conversion of the existing Cumberland Hotel, the 900-room property will be refurbished and rebranded into Hard Rock Hotel London. The refurbishment is scheduled for completion in the summer of 2018.

In the global oil market, oil prices are not expected to recover significantly in the coming year. This will continue to adversely affect GL's oil and gas royalty revenues.

### ***The Rank Group Plc (“Rank”)***

Rank recorded an increase of 8% in its profit after tax (before exceptional items and discontinued operations) for the year ended 30 June 2016 to GBP61.4 million.

Statutory revenue grew by 1% to GBP708.5 million, with strong growth in digital revenue, flat revenues from Mecca Bingo venues (despite the closure of a number of under-performing venues) and a marginal fall in Grosvenor Casinos venues channel following tough trading in the fourth quarter of FY2015/16.

Operating profit before exceptional items of GBP82.4 million was down by GBP1.6 million as a result of a GBP4.8 million increase in remote gaming duty following the introduction of a 15% rate (on a point of consumption basis) levied on all UK digital income from 1 December 2014. Excluding the impact of this change, underlying profit increased by 4%. Mecca's venues grew profit by 14% as a result of strong cost control and the closure of under-performing venues. Mecca digital profits fell following the increased costs as a result of the migration to a new digital gaming platform, added competition and the increase in duties. The Grosvenor Casinos brand delivered a flat profit performance with strong digital growth being offset by flat revenues and increased costs in the venues channel.

The credit on exceptional items and discontinued operations totaling GBP13.3 million comprised GBP10.0 million from the sale of freehold property, a GBP4.2 million refund following the settlement of a transfer pricing dispute for a business sold in 2006 and a net GBP0.9 million expense from impairment and onerous lease costs, closure costs for loss-making clubs and minor costs in relation to discontinued operations.

Rank is predominantly a UK facing business with limited exposure to non-sterling costs and earnings. The UK's decision to leave the European Union is expected to have little or no direct impact on Rank's performance. Any likely impact would however be driven by any macro-economic impact of lower UK growth rates or loss of consumer confidence and spending power.

## **Financial Services**

### ***Hong Leong Financial Group Berhad ("HLFG")***

HLFG Group achieved a profit before tax of RM2,565.0 million for the year ended 30 June 2016 as compared to RM3,023.3 million last year, a decrease of RM458.3 million or 15.2%. The decrease was mainly due to lower contribution across all operating divisions, although was impacted by considerable one-off items which if backed out would have shown growth in normalized profit before tax.

The commercial banking division recorded a profit before tax of RM2,381.7 million for the year, a decrease of RM364.5 million or 13.3% versus last year. While the decrease was primarily because of higher operating expenses of RM272.9 million and a higher allowance for impairment losses on loans, advances and financing of RM104.5 million. Collectively, contributions from Bank of Chengdu Co., Ltd. and the Sichuan Jincheng Consumer Finance joint venture of RM333.4 million represent 14.0% of the division's profit before tax results as compared to 15.2% last year.

The insurance division registered a profit before tax of RM197.5 million for the year ended 30 June 2016, a decrease of RM89.8 million or 31.3%. The decrease was largely a function of higher operating expenses of RM23.8 million, higher actuarial reserve provisioning of RM90.1 million and a higher allowance for impairment losses on securities of RM20.6 million. This is however mitigated by higher share of profit from an associated company of RM6.9 million as well as higher insurance income and investment income of RM24.2 million and RM12.5 million respectively.

The investment banking division recorded a profit before tax of RM64.5 million for the year ended 30 June 2016, a decrease of RM14.0 million or 17.8% from last year. This was mostly due to lower contributions from the investment banking and stockbroking divisions.

## **GROUP FINANCIAL COMMENTARY**

### **Capital Management**

The Group's consolidated total equity attributable to equity shareholders of the Company as at 30 June 2016 amounted to HK\$56.2 billion, a decrease of 4% or HK\$2.3 billion as compared to the previous year.

The equity-debt ratio as at 30 June 2016 is arrived at as follows:

	HK\$'M
Total borrowings	34,503
Less: Cash and short term funds	(18,976)
Trading financial assets	<u>(13,495)</u>
Net debt	<u><u>2,032</u></u>
Total equity attributable to equity shareholders of the Company	<u><u>56,173</u></u>
Equity-debt ratio	<u><u>97:3</u></u>

The Group's total cash balance and trading financial assets were mainly in USD (25%), JPY (16%), RMB (15%), HKD (14%), GBP (12%), and SGD (8%)

### **Total Borrowings**

The decrease in total borrowings from HK\$44.1 billion as at 30 June 2015 to HK\$34.5 billion as at 30 June 2016 was primarily due to the repayment of loans. The Group's total borrowings are mostly denominated in SGD (57%), USD (20%), GBP (9%) and MYR (7%).

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

	<b>Bank loans</b>	<b>Mortgage debenture stock</b>	<b>Other borrowings</b>	<b>Total</b>
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Within 1 year or on demand	12,446	-	2,207	14,653
After 1 year but within 2 years	6,023	-	5,269	11,292
After 2 years but within 5 years	5,052	-	2,181	7,233
After 5 years	687	603	35	1,325
	11,762	603	7,485	19,850
	24,208	603	9,692	34,503

Bank loans, mortgage debenture stock and other borrowings are secured by certain properties, fixed assets and trading financial assets with an aggregate book value of HK\$31.5 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 30 June 2016 amounted to approximately HK\$11.3 billion.

### **Interest Rate Exposure**

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

As at 30 June 2016, approximately 66% of the Group's borrowings were at floating rates and the remaining 34% were at fixed rates. The Group had outstanding interest rate swaps with a notional amount of HK\$2.1 billion.

### **Foreign Currency Exposure**

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

As at 30 June 2016, there were outstanding foreign exchange contracts with a total notional amount of HK\$26.0 billion for hedging of foreign currency equity investments.

## Equity Price Exposure

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

## Contingent Liabilities

### (a) GuocoLand

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

### (b) Rank

#### *i) Property leases*

Concurrent to the GBP211 million (approximately HK\$2,204 million) sale and leaseback in 2006, Rank transferred the rights and obligations but not the legal titles of 44 property leases to a third party. Rank remains potentially liable in the event of default by the third party. Should default occur then Rank would have recourse to two guarantors. It is understood that, of the original 44 leases transferred, 9 of these have not expired or been surrendered. These 9 leases have durations of between 5 months and 97 years and a current annual rental obligation (net of sub-let income) of approximately GBP0.8 million (approximately HK\$8.5 million).

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

#### *ii) Stamp duty*

Rank has received from HM Revenue & Customs ("HMRC") a determination in respect of the amount of stamp duty payable on certain transactions undertaken by Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited) before its acquisition by Rank on 12 May 2013. Rank estimates the maximum possible additional stamp duty that could be due if HMRC are successful to be GBP7.2 million (approximately HK\$75.3 million) plus interest. Under the terms of the Sale and Purchase Agreement the vast majority of any liability arising falls upon the vendor and Rank has further indemnification in the event of default by the vendor.



## **HUMAN RESOURCES AND TRAINING**

The Group employed over 13,600 employees as at 30 June 2016. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to providing its staff with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial results of the Group and individual achievement as incentives to optimise 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.

## **GROUP OUTLOOK**

Global equity markets are in a range constrained by lackluster profits, slower growth and possible recession risks. Brexit negotiations could be drawn out and lead to uncertainty. In general, we expect global markets to remain volatile and eventually bond yields to rise. In addition, China has to deal with excessive inventory and capacity, carried over from the runaway growth in the previous years. Given the adverse uptick in geopolitical events, we also expect short term negative impact on tourism.

Despite the global uncertainties, each of our core businesses will continue to enhance its competitive advantages through productivity improvement, innovation as well as new technology initiatives to achieve stable growth and sustain profitability. In addition, the Group shall attempt to capitalize on market volatility to strengthen its Principal Investment business.

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

Neither the Company, nor any of its other subsidiaries, purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

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

## REVIEW BY BOARD AUDIT AND RISK MANAGEMENT COMMITTEE (“BARMC”)

The BARMC reviewed the applicable accounting principles and practices adopted by the Company and discussed the auditing, risk management and internal controls and financial reporting matters including a review of the audited annual results of the Company for the year ended 30 June 2016 with the auditors and management.

## CLOSURE OF REGISTER OF MEMBERS

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

Closure dates of Register of Members (both days inclusive)	17 November 2016 (Thursday) to 21 November 2016 (Monday)
Latest time to lodge transfers	4:30 p.m. on 16 November 2016 (Wednesday)
Record date	21 November 2016 (Monday)
Annual General Meeting	21 November 2016 (Monday)

For ascertaining shareholders’ entitlement to the proposed final dividend\*:

Closure date of Register of Members	29 November 2016 (Tuesday)
Latest time to lodge transfers	4:30 p.m. on 28 November 2016 (Monday)
Record date	29 November 2016 (Tuesday)
Proposed final dividend payment date	6 December 2016 (Tuesday)

*(\*subject to shareholders’ approval at the annual general meeting)*

During the periods of the closure of Register of Members, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong before the relevant latest time to lodge transfers.

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

Hong Kong, 30 August 2016

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