

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



**PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS
 FOR THE YEAR ENDED 30 JUNE 2020**

FINANCIAL HIGHLIGHTS

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

RESULTS

The consolidated results of Guoco Group Limited (the “Company”) and its subsidiaries (together the “Group”) for the financial year ended 30 June 2020 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2020 HK\$'000	2019 HK\$'000
Turnover	3 & 4	<u>16,744,951</u>	<u>19,725,680</u>
Revenue	3 & 4	14,640,551	17,474,585
Cost of sales		(7,990,407)	(9,206,026)
Other attributable costs		<u>(605,252)</u>	<u>(581,844)</u>
		6,044,892	7,686,715
Other revenue		644,863	289,794
Other net losses	5	(1,874,245)	(118,517)
Administrative and other operating expenses		<u>(4,732,149)</u>	<u>(4,545,042)</u>
Profit from operations before finance costs		83,361	3,312,950
Finance costs	3(b) & 6(a)	<u>(1,228,306)</u>	<u>(944,680)</u>
(Loss)/profit from operations		(1,144,945)	2,368,270
Valuation (deficit)/surplus on investment properties		(257,838)	1,230,079
Share of profits of associates and joint ventures	6(c)	<u>973,730</u>	<u>948,818</u>
(Loss)/profit for the year before taxation	3 & 6	<u>(429,053)</u>	<u>4,547,167</u>
Taxation	7	<u>(323,009)</u>	<u>(257,114)</u>
(Loss)/profit for the year		<u>(752,062)</u>	<u>4,290,053</u>
Attributable to:			
Equity shareholders of the Company		(872,716)	3,368,708
Non-controlling interests		<u>120,654</u>	<u>921,345</u>
(Loss)/profit for the year		<u>(752,062)</u>	<u>4,290,053</u>
(Loss)/earnings per share		HK\$	HK\$
Basic	9	<u>(2.68)</u>	<u>10.36</u>
Diluted	9	<u>(2.68)</u>	<u>10.36</u>

Details of dividends paid to equity shareholders of the Company attributable to the (loss)/profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit for the year	<u>(752,062)</u>	<u>4,290,053</u>
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 ("FVOCI") - net movement in fair value reserve (non-recycling)	(1,762,086)	(3,986,806)
Actuarial losses on defined benefit obligation	<u>(23,537)</u>	<u>(49,215)</u>
	<u>(1,785,623)</u>	<u>(4,036,021)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	(1,552,733)	(1,228,720)
Exchange translation reserve reclassified to profit or loss upon disposal of subsidiaries	(271)	45,757
Changes in fair value of cash flow hedge	1,186	21,500
Changes in fair value on net investment hedge	(9,168)	39,043
Decrease in fair value of properties	(36,766)	-
Transfer upon disposal of ESOS shares	-	20,228
Share of other comprehensive income of associates	42,168	42,048
	<u>(1,555,584)</u>	<u>(1,060,144)</u>
Other comprehensive income for the year, net of tax	<u>(3,341,207)</u>	<u>(5,096,165)</u>
Total comprehensive income for the year	<u>(4,093,269)</u>	<u>(806,112)</u>
Total comprehensive income for the year attributable to:		
Equity shareholders of the Company	(3,664,913)	(1,315,804)
Non-controlling interests	<u>(428,356)</u>	<u>509,692</u>
	<u>(4,093,269)</u>	<u>(806,112)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Investment properties		28,580,323	29,657,377
Other property, plant and equipment		12,632,004	13,992,717
Right-of-use assets		5,492,666	-
Interest in associates and joint ventures		12,242,732	11,998,213
Equity investments at FVOCI		9,039,438	10,672,265
Deferred tax assets		440,438	204,003
Intangible assets		7,434,454	7,618,927
Goodwill		2,850,146	2,452,249
Pensions surplus		47,911	55,429
		78,760,112	76,651,180
CURRENT ASSETS			
Development properties		20,455,381	15,392,862
Properties held for sale		2,734,910	3,501,675
Inventories		474,236	453,318
Contract assets		226,194	202,692
Trade and other receivables	10	2,098,719	1,963,432
Tax recoverable		14,384	-
Trading financial assets		9,632,785	12,779,985
Cash and short term funds		12,449,815	13,972,848
Assets held for sale		437,633	-
		48,524,057	48,266,812
CURRENT LIABILITIES			
Contract liabilities		111,958	122,210
Trade and other payables	11	4,219,155	4,406,227
Bank loans and other borrowings		7,613,729	5,579,284
Taxation		378,786	342,460
Provisions and other liabilities		246,484	188,023
Lease liabilities		536,973	-
		13,107,085	10,638,204
NET CURRENT ASSETS		35,416,972	37,628,608
TOTAL ASSETS LESS CURRENT LIABILITIES		114,177,084	114,279,788
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		29,643,613	29,791,001
Amount due to non-controlling interests		2,608,567	2,379,527
Provisions and other liabilities		108,997	374,382
Deferred tax liabilities		566,075	656,814
Lease liabilities		7,233,316	-
		40,160,568	33,201,724
NET ASSETS		74,016,516	81,078,064
CAPITAL AND RESERVES			
Share capital		1,275,093	1,284,446
Reserves		54,845,869	60,845,206
Total equity attributable to equity shareholders of the Company		56,120,962	62,129,652
Non-controlling interests		17,895,554	18,948,412
TOTAL EQUITY		74,016,516	81,078,064

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 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. Note 2 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.

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.

(c) Hong Kong dollar amounts

The consolidated financial statements of the Group are expressed in the United States dollars ("USD"), which is the functional currency of the Company. The Hong Kong dollar ("HKD") figures presented in the sections entitled "FINANCIAL HIGHLIGHTS" and "RESULTS" above are the HKD equivalents of the corresponding USD figures in the consolidated financial statements, which are translated at the rates prevailing at the respective financial year ends for presentation purposes only (2020 : US\$1 = HK\$7.7501, 2019: US\$1 = HK\$7.8070).

2. 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. 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.

(i) New definition of a lease

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.

(iii) 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.

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

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;
- (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.

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

Transitional impact (cont'd)

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 HK\$'000	Adjustments HK\$'000	Carrying amount at 1 July 2019 HK\$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	13,992,717	(41,876)	13,950,841
Intangible assets	7,618,927	(18,721)	7,600,206
Right-of-use assets	-	6,338,026	6,338,026
Other receivables	-	38,918	38,918
Deferred tax assets	204,003	187,148	391,151
Total non-current assets	76,651,180	6,503,495	83,154,675
Trade and other receivables	1,963,432	(93,722)	1,869,710
Total current assets	48,266,812	(93,722)	48,173,090
Trade and other payables	4,406,227	(226,035)	4,180,192
Provision and other liabilities	188,023	(40,159)	147,864
Loans and borrowings	5,579,284	(18,167)	5,561,117
Lease liabilities	-	443,911	443,911
Current liabilities	10,638,204	159,550	10,797,754
Net current assets	37,628,608	(253,272)	37,375,336
Total assets less current liabilities	114,279,788	6,250,223	120,530,011
Trade and other payables	-	(256,995)	(256,995)
Provision and other liabilities	374,382	(258,660)	115,722
Loans and borrowings	29,791,001	(58,037)	29,732,964
Lease liabilities	-	7,852,020	7,852,020
Total non-current liabilities	33,201,724	7,278,328	40,480,052
Net assets	81,078,064	(1,028,105)	80,049,959
Retained profits	66,041,988	(703,562)	65,338,426
Exchange translation reserve	(3,338,923)	12,421	(3,326,502)
Total equity attributable to equity shareholders of the Company	62,129,652	(691,141)	61,438,511
Non-controlling interests	18,948,412	(336,964)	18,611,448
Total equity	81,078,064	(1,028,105)	80,049,959

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

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.

	HK\$'000
Operating lease commitments at 30 June 2019	10,089,874
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	(9,400)
- leases of low-value assets	(24,303)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	<u>12,284,369</u>
	22,340,540
Less: total future interest expenses	<u>(14,044,609)</u>
Total lease liabilities recognised at 1 July 2019	<u><u>8,295,931</u></u>

3. 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.

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.

3. 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

	Principal investment HK\$'000	Property development and investment HK\$'000	Hospitality and leisure HK\$'000	Financial services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue and profit or loss						
For the year ended 30 June 2020						
Turnover	2,717,014	5,157,722	8,279,347	-	590,868	16,744,951
Disaggregated by timing of revenue						
- Point in time	612,614	880,349	8,279,347	-	590,868	10,363,178
- Over time	-	4,277,373	-	-	-	4,277,373
Revenue from external customers	612,614	5,157,722	8,279,347	-	590,868	14,640,551
Inter-segment revenue	35,658	20,615	-	-	-	56,273
Reportable segment revenue	648,272	5,178,337	8,279,347	-	590,868	14,696,824
Operating (loss)/profit	(1,860,752)	1,373,519	320,738	-	284,917	118,422
Finance costs	(124,637)	(545,444)	(553,280)	-	(40,006)	(1,263,367)
Valuation deficit on investment properties	-	(257,838)	-	-	-	(257,838)
Share of profits of associates and joint ventures	-	107,718	-	866,012	-	973,730
(Loss)/profit before taxation	(1,985,389)	677,955	(232,542)	866,012	244,911	(429,053)

3. SEGMENT REPORTING (cont'd)

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

	Principal investment HK\$'000	Property development and investment HK\$'000	Hospitality and leisure HK\$'000	Financial services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue and profit or loss						
For the year ended 30 June 2019						
Turnover	3,764,776	5,789,494	9,890,500	-	280,910	19,725,680
Disaggregated by timing of revenue						
- Point in time	1,513,681	1,699,714	9,890,500	-	280,910	13,384,805
- Over time	-	4,089,780	-	-	-	4,089,780
Revenue from external customers	1,513,681	5,789,494	9,890,500	-	280,910	17,474,585
Inter-segment revenue	9,446	52,119	-	-	-	61,565
Reportable segment revenue	1,523,127	5,841,613	9,890,500	-	280,910	17,536,150
Operating profit	913,367	1,299,607	782,701	-	162,010	3,157,685
Finance costs	(203,371)	(555,691)	(202,707)	-	(25,708)	(987,477)
Valuation surplus on investment properties	-	1,230,079	-	-	-	1,230,079
Write back of provision for impairment loss on interest in an associate	-	-	-	198,062	-	198,062
Share of profits of associates and joint ventures	-	27,801	-	921,017	-	948,818
Profit before taxation	709,996	2,001,796	579,994	1,119,079	136,302	4,547,167

3. SEGMENT REPORTING (cont'd)

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

Revenue

	2020 HK\$'000	2019 HK\$'000
Reportable segment revenue	14,696,824	17,536,150
Elimination of inter-segment revenue	<u>(56,273)</u>	<u>(61,565)</u>
Consolidated revenue (note 4)	<u><u>14,640,551</u></u>	<u><u>17,474,585</u></u>

Finance costs

	2020 HK\$'000	2019 HK\$'000
Reportable finance costs	1,263,367	987,477
Elimination of inter-segment finance costs	<u>(35,061)</u>	<u>(42,797)</u>
Consolidated finance costs (note 6(a))	<u><u>1,228,306</u></u>	<u><u>944,680</u></u>

Interest income

	2020 HK\$'000	2019 HK\$'000
Reportable interest income	302,928	471,281
Elimination of inter-segment interest income	<u>(35,061)</u>	<u>(42,797)</u>
Consolidated interest income (note 4)	<u><u>267,867</u></u>	<u><u>428,484</u></u>

4. 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 HK\$'000	2019 HK\$'000
Revenue from sale of properties	4,312,202	4,833,056
Revenue from hospitality and leisure	8,263,017	9,877,252
Interest income	267,867	428,484
Dividend income	472,035	1,296,047
Rental income from properties	680,188	697,410
Revenue from sales of goods	590,821	280,902
Others	54,421	61,434
Revenue	<u>14,640,551</u>	<u>17,474,585</u>
Proceeds from sale of investments in securities	2,104,400	2,251,095
Turnover	<u><u>16,744,951</u></u>	<u><u>19,725,680</u></u>

5. OTHER NET LOSSES

	2020 HK\$'000	2019 HK\$'000
Net realised and unrealised losses on trading financial assets	(2,368,593)	(370,565)
Net realised and unrealised losses on derivative financial instruments	(393,612)	(19,221)
Net losses on foreign exchange contracts	(96,326)	(8,127)
Other exchange gains	110,431	115,349
Net gains/(losses) on disposal of property, plant and equipment	703,004	(1,108)
Net gains/(losses) on liquidation of subsidiaries	31	(182,113)
Net gain on disposal of subsidiaries	15,655	134,342
Write back of provision for impairment loss on interest in an associate (Note)	-	198,062
Gain from additional proceeds from compulsory acquisition of a hotel property	122,118	-
Other income	33,047	14,864
	<u><u>(1,874,245)</u></u>	<u><u>(118,517)</u></u>

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.

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

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

(a) Finance costs

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans and other borrowings	1,274,023	1,307,765
Interest on lease liabilities	374,539	-
Other borrowing costs	90,421	106,128
Total borrowing costs	<u>1,738,983</u>	<u>1,413,893</u>
Less: borrowing costs capitalised into:		
- development properties	(247,972)	(230,508)
- investment properties	(262,705)	(238,705)
Total borrowing costs capitalised (note)	<u>(510,677)</u>	<u>(469,213)</u>
	<u>1,228,306</u>	<u>944,680</u>

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 HK\$'000	2019 HK\$'000
Salaries, wages and other benefits	2,810,334	3,137,551
Contributions to defined contribution retirement plans	99,829	99,679
Expenses recognised in respect of defined benefit retirement plans	674	2,561
Equity-settled share-based payment expenses	16,461	29,971
	<u>2,927,298</u>	<u>3,269,762</u>

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

(c) Other items

	2020 HK\$'000	2019 HK\$'000
Depreciation		
- other property, plant and equipment	602,322	612,424
- right-of-use assets	408,268	-
Impairment losses recognised		
- other property, plant and equipment	174,742	92,263
- intangible assets	136,991	91,818
- right-of-use assets	291,373	-
- interest in joint venture	263,023	-
Amortisation		
- customer relationship, licences and brand names	93,559	24,896
- casino licences and brand names	5,952	12,140
- Bass Strait oil and gas royalty	22,336	23,991
- other intangible assets	186,235	125,848
Cost of inventories recognised in cost of sales	289,040	188,952
Write down of development properties	187,080	-
Total minimum lease payments for leases previously classified as operating leases under HKAS 17		
- properties	-	510,333
- others	-	12,077
Expense relating to short-term leases and other leases with remaining lease term ending on or before 30 June 2020	15,864	-
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	7,409	-
Auditors' remuneration		
- audit services	22,971	19,424
- tax services	426	195
- other services	2,325	812
Donations	16,167	13,053
Gross rental income from investment properties	(680,188)	(697,410)
Less: direct outgoings	146,531	162,213
Net rental income	<u>(533,657)</u>	<u>(535,197)</u>
Share of profits of associates and joint ventures:		
- associates	(855,805)	(926,677)
- joint ventures	(117,925)	(22,141)
	<u>(973,730)</u>	<u>(948,818)</u>

7. TAX EXPENSES

Taxation in the consolidated income statement represents:

	2020 HK\$'000	2019 HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	3,829	4,083
Over-provision in respect of prior years	(23)	(62)
	<u>3,806</u>	<u>4,021</u>
Current tax - Overseas		
Provision for the year	438,268	711,885
Under/(over)-provision in respect of prior years	10,439	(111,109)
	<u>448,707</u>	<u>600,776</u>
Deferred tax		
Origination and reversal of temporary differences	(138,896)	(351,117)
Effect of changes in tax rate on deferred tax balances	9,392	3,434
	<u>(129,504)</u>	<u>(347,683)</u>
	<u>323,009</u>	<u>257,114</u>

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. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividends payable/paid in respect of the current year:		
- Interim dividend of HK\$1.00 (2019: HK\$1.00) per ordinary share	324,590	323,137
- Proposed final dividend of HK\$1.50 (2019: HK\$3.00) per ordinary share	493,581	987,158
	<u>818,171</u>	<u>1,310,295</u>
Dividends paid in respect of the prior year:		
- Final dividend of HK\$3.00 (2019: HK\$3.00) per ordinary share	965,817	972,676

The final dividend for the year ended 30 June 2020 of HK\$493,581,000 (2019: HK\$987,158,000) 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.

9. (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 HK\$872,716,000 (2019: profit of HK\$3,368,708,000) 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.

10. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade debtors	715,861	665,644
Other receivables, deposits and prepayments	1,303,497	1,093,192
Derivative financial instruments, at fair value	68,991	174,282
Interest receivables	10,370	30,314
	<u>2,098,719</u>	<u>1,963,432</u>

Included in the Group's trade and other receivables is HK\$95.3 million (2019: HK\$55.4 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:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	637,236	526,946
1 to 3 months	45,098	82,683
More than 3 months	33,527	56,015
	<u>715,861</u>	<u>665,644</u>

11. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade creditors	698,113	545,745
Other payables and accrued operating expenses	2,859,579	3,466,582
Derivative financial instruments, at fair value	622,333	332,420
Amounts due to fellow subsidiaries	38,518	61,035
Amounts due to associates and joint ventures	612	445
	<u>4,219,155</u>	<u>4,406,227</u>

Included in trade and other payables is HK\$988.9 million (2019: HK\$675.3 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:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	493,123	489,161
1 to 3 months	113,492	32,133
More than 3 months	91,498	24,451
	<u>698,113</u>	<u>545,745</u>

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

DIVIDEND

While the Group's financial position remain strong, the board of directors of the Company (the "Board") has adopted a more prudent approach to conserve financial resources in light of the uncertain economic outlook ahead and recommended a final dividend of HK\$1.50 per share, totalling HK\$494 million. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 6 November 2020, the final dividend will be payable on 25 November 2020 to the shareholders whose names appear on the Register of Members of the Company on 13 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Review of Operations

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.

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 and fair value losses on its interest rate hedges.

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.

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.

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.

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.

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.

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

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

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.

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.

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 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted a Code on 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 preliminary annual results announcement of the Company for the year ended 30 June 2020 with the auditors and management.

PROPOSED DIMINUTION OF THE AUTHORISED SHARE CAPITAL

The Board announces that an ordinary resolution will be proposed at the forthcoming annual general meeting of the Company to diminish the authorised share capital of the Company from US\$500,000,000 to US\$400,000,000 by cancelling 200,000,000 unissued shares of par value US\$0.50 each and diminishing the authorised share capital of US\$100,000,000 being the amount of the unissued shares so cancelled.

A circular containing, among other things, details of the aforesaid proposed diminution of authorised share capital together with the notice of the forthcoming annual general meeting will be dispatched to the shareholders of the Company on or about 6 October 2020.

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)	3 November 2020 (Tuesday) to 6 November 2020 (Friday)
Latest time to lodge transfers	4:30 p.m. on 2 November 2020 (Monday)
Annual general meeting	6 November 2020 (Friday)

For ascertaining shareholders' entitlement to the proposed final dividend*:

Closure date of register of members	13 November 2020 (Friday)
Latest time to lodge transfers	4:30 p.m. on 12 November 2020 (Thursday)
Record date	13 November 2020 (Friday)
Proposed final dividend payment date	25 November 2020 (Wednesday)

(*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 aforesaid relevant latest time.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 15 September 2020

As at the date of this announcement, the Board comprises Mr. KWEK Leng Hai as Executive Chairman; Mr. TANG Hong Cheong as President & CEO; Mr. KWEK Leng San as Non-executive Director, Mr. Roderic N. A. SAGE, Mr. David Michael NORMAN and Mr. Lester G. HUANG, SBS, J.P. as Independent Non-executive Directors.