2018

ANNUAL REPORT

國浩集團有限公司
GuocoGroup Limited

A Member of the Hong Leong Group

(Stock Code: 53)

CONTENTS

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

CORPORATE INFORMATION

(As at 3 September 2018)

BOARD OF DIRECTORS

Executive Chairman

Kwek Leng Hai

President & CEO

Tang Hong Cheong

Non-executive Directors

Kwek Leng San
Tan Lim Heng

Independent Non-executive Directors

Volker Stoeckel
Roderic N. A. Sage
David Michael Norman

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

Roderic N. A. Sage – *Chairman*
Volker Stoeckel
David Michael Norman

BOARD REMUNERATION COMMITTEE

Volker Stoeckel – *Chairman*
Kwek Leng Hai
Roderic N. A. Sage

BOARD NOMINATION COMMITTEE

Kwek Leng Hai – *Chairman*
Volker Stoeckel
Roderic N. A. Sage

GROUP FINANCIAL CONTROLLER

Richard Mak Chi Ming

COMPANY SECRETARY

Stella Lo Sze Man

PLACE OF INCORPORATION

Bermuda

REGISTERED OFFICE

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

PRINCIPAL OFFICE

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

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

BRANCH SHARE REGISTRARS

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

CORPORATE ORGANISATION CHART

(As at 3 September 2018)

GuocoGroup Limited (1)

PRINCIPAL INVESTMENT

100%
GuocoEquity Assets Limited

PROPERTY DEVELOPMENT & INVESTMENT

65.2%
GuocoLand Limited(2)

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

HOSPITALITY & LEISURE BUSINESS

67.6%
GL Limited(2)

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

52.0%
The Rank Group Plc(4)

FINANCIAL SERVICES

25.4%
Hong Leong Financial Group Berhad(3)

- **64.4%** Hong Leong Bank Berhad(3)
  - 100% Hong Leong Islamic Bank Berhad
  - 100% Hong Leong Bank Vietnam Limited
  - 100% Hong Leong Bank (Cambodia) Plc.
- **100%** HLA Holdings Sdn Bhd
  - 70% Hong Leong Assurance Berhad
  - 65% Hong Leong MSIG Takaful Berhad
  - 30% MSIG Insurance (Malaysia) Bhd
  - 100% Hong Leong Insurance (Asia) Limited
  - 100% HL Assurance Pte. Ltd.
- **81.3%** Hong Leong Capital Berhad(3)
  - 100% Hong Leong Investment Bank Berhad
  - 100% Hong Leong Asset Management Bhd

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

Websites:
– Guoco Group Limited (http://www.guoco.com)
– GuocoLand Limited (http://www.guocoland.com.sg)
– GuocoLand (Malaysia) Berhad (http://www.guocoland.com.my)
– GL Limited (http://www.gl-grp.com)
– GLH Hotels Limited (http://www.glhhotels.com)
– The Rank Group Plc (http://www.rank.com)
– Hong Leong Financial Group Berhad (http://www.hlfg.com.my)
– Hong Leong Bank Berhad (http://www.hlb.com.my)
– Hong Leong Islamic Bank Berhad (http://www.hlisb.com.my)
– Hong Leong Bank Vietnam Limited (https://www.hlb.com.my/vn)
– Hong Leong Bank (Cambodia) Plc. (https://www.hlb.com.my/main/cambodia)
– Hong Leong Assurance Berhad (http://www.hla.com.my)
– Hong Leong MSIG Takaful Berhad (http://www.hlmtakaful.com.my)
– MSIG Insurance (Malaysia) Bhd (http://www.msig.com.my)
– Hong Leong Insurance (Asia) Limited (http://www.hl-insurance.com)
– HL Assurance Pte Ltd. (https://www.hlas.com.sg)
– Hong Leong Capital Berhad (http://www.hlgcap.com.my)

GROUP PROFILE

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

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

PRINCIPAL INVESTMENT

Our Principal Investment business has been built up into a core business of the Group with a team of well-trained and experienced investment professionals covering equity and direct investments as well as treasury operations. Committed to its mission to create attractive risk weighted returns and capital value to the Group, the team is supported by up-to-date information systems and technological infrastructure as well as solid risk management processes and control mechanism. Ongoing resources are allocated to enhance our investment infrastructure to cater for the business needs.

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

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

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

PROPERTY DEVELOPMENT AND INVESTMENT

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

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

In Singapore, GuocoLand has successfully developed 35 residential projects yielding approximately 10,000 apartments and homes, and Tanjong Pagar Centre, its flagship integrated mixed-use development with premium Grade A offices at Guoco Tower, a dynamic lifestyle and F&B retail space, luxurious apartments at Wallich Residence, the 5-star business hotel Sofitel Singapore City Centre and a landscaped urban park.

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

HOSPITALITY AND LEISURE BUSINESS

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

GLH is the largest owner-operator hotel company in London with 15 hotels, with 13 hotels in top London locations. It owns and operates 11 hotels under four owned brands – Amba Hotels, Guoman Hotels, Thistle Hotels and Thistle Express Hotels including the iconic hotels – The Grosvenor Hotel, The Royal Horseguards, The Tower Hotel and The Cumberland which is to be relaunched in Spring 2019 as the Hard Rock Hotel, London.

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

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

Rank's businesses comprise three established gaming based entertainment operations in Great Britain, Spain and Belgium. They are: Mecca – a leading bingo operator in Great Britain with 88 clubs and a digital business offering both online and mobile bingo; Grosvenor Casinos – the leading casino operator with 52 casinos in Great Britain along with one casino in Belgium and an online and mobile casino business; Enracha – an operator of nine premium bingo clubs in Spain and an online and mobile casino business; and YoBingo.es – a leading Spanish digital bingo business.

FINANCIAL SERVICES

Hong Leong Financial Group Berhad ("HLFG"), an associated company of the Group, is an integrated financial services group listed on the Main Market of Bursa Malaysia. HLFG's commercial banking subsidiary is Hong Leong Bank Berhad ("HLB") which is also listed on the Main Market of Bursa Malaysia. HLB Group currently has a distribution network over 280 branches in Malaysia, Singapore, Hong Kong, Vietnam and Cambodia, and wholly-owned subsidiaries in Vietnam and Cambodia, providing comprehensive services in personal financial services, treasury, corporate and commercial banking. HLB also has a presence in China via an interest of 17.99% in the Bank of Chengdu Co., Ltd. ("BOCD") which has been listed on the Shanghai Stock Exchange since 31 January 2018 and 49% in Sichuan Jincheng Consumer Finance Limited Company, a joint venture company between BOCD and HLB.

HLB's Islamic banking subsidiary, namely Hong Leong Islamic Bank Berhad ("HLISB"), offers its customers a wide range of innovative solutions which amongst others include structured finance, business and corporate banking, personal financial services, Islamic global markets and wealth management.

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

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

As at 30 June 2018, the HLFG Group employs over 10,000 employees to deliver quality and competitive financial products and services to customers in Malaysia, Singapore, Hong Kong, Vietnam, Cambodia and China.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwek Leng Hai, aged 65, the Executive Chairman of the Board of Directors (the "Board") of Guoco Group Limited ("Guoco"), the Chairman of the Board Nomination Committee ("BNC") and a member of the Board Remuneration Committee ("BRC") of Guoco since 1 September 2016. He was appointed to the Board in 1990 and assumed the position of the President, CEO of Guoco from 1995 up to 1 September 2016. He is also a director of Guoco's key listed subsidiaries and associated companies including as the Non-executive Chairman of GL Limited ("GL") and a Director of GuocoLand Limited ("GuocoLand"), Hong Leong Bank Berhad and Bank of Chengdu Co., Ltd. He is a Director and shareholder of Hong Leong Company (Malaysia) Berhad ("HLCM", and together with its subsidiaries, the "Hong Leong Group"), the ultimate holding company of Guoco. He also serves as the Chairman of Lam Soon (Hong Kong) Limited ("LSHK"). He qualified as a chartered accountant of the Institute of Chartered Accountants in England and Wales and has extensive experience in various business sectors, including but not limited to finance, investment, manufacturing and real estate. He is a brother of Mr. Kwek Leng San.

Mr. Tang Hong Cheong, aged 63, a Director and the President & CEO of Guoco since 1 September 2016. He is also a Group Managing Director of GL and a Director of GuocoLand and LSHK. He held various senior management positions in different companies within the Hong Leong Group. Prior to joining Guoco, he was the President/Finance Director of HL Management Co Sdn Bhd. He was also a Director of Southern Steel Berhad ("Southern Steel"), the Non-executive chairman of GLM REIT Management Sdn Bhd which is the manager of Tower Real Estate Investment Trust. Mr. Tang is a member of the Malaysian Institute of Accountants and has over 40 years of broad-based and C-suite expertise in finance, treasury, risk management, operations and strategic planning. He possesses in-depth knowledge in investment, manufacturing, financial services, property development, gaming and hospitality industry.

Mr. Kwek Leng San, aged 63, a Non-executive Director of Guoco since 1990. He is the Chairman of Malaysian Pacific Industries Berhad, Hong Leong Industries Berhad, Hume Industries Berhad and Southern Steel. He is a Director and shareholder of HLCM. He graduated from University of London with a Bachelor of Science (Engineering) degree and also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing. He is a brother of Mr. Kwek Leng Hai.

Mr. Tan Lim Heng, aged 70, a Non-executive Director of Guoco since March 2015. He had been an Executive Director of Guoco since 1996. He also serves as a Director of LSHK. Mr. Tan holds a Bachelor of Science first class honours degree in engineering from University of Surrey and a Master of Science degree in management from Massachusetts Institute of Technology. He also previously worked in Geneva in 1974 with the United Nations Conference on Trade and Development. Prior to joining Guoco, he had served in the Singapore Civil Service as a Colombo Plan Scholar from 1975 to 1978 before coming to work in Hong Kong with a financial services company and a major U.S. bank. Mr. Tan has extensive experience in property investment, financial and investment management services.

Mr. Volker Stoeckel, aged 73, an Independent Non-executive Director of Guoco since 2004 and is the Chairman of the BRC and a member of both the Board Audit and Risk Management Committee ("BARMC") and the BNC of Guoco. He was the Chairman and CEO of Metal Cast Zhong Shan Limited during the period from 2007 to 2009. He was also the Chairman and CEO of the German Centre for Industry and Trade in Shanghai until 2006. Before that he held various senior banking positions in Asia for over 26 years. Until 2004, he was the Senior Executive Vice President and Chief Executive of Asia Pacific of Bayerische Landesbank, Regional Head Office, in Hong Kong. Mr. Stoeckel has wide ranging experience in capital markets, corporate finance, project finance, treasury and securities business, as well as property development of commercial and industrial projects in China. He is also a consultant for major companies in Asia for projects in Europe. He graduated from the University of Munich in economics and holds a diploma in banking.

Mr. Roderic N. A. Sage, aged 65, an Independent Non-executive Director of Guoco since October 2009 and the Chairman of the BARMC as well as a member of both the BRC and the BNC of Guoco. He was the Chief Executive Officer of a specialist tax, corporate services and trust consultancy firm in Hong Kong. Prior to that, Mr. Sage had worked with KPMG Hong Kong for over 20 years until 2003, as a senior partner and member of the management board. He has been granted fellow status with the Institute of Chartered Accountants in England and Wales and with the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Institute of Taxation in England. He has over 30 years' experience in accounting, international tax planning and investment structuring enhanced by considerable knowledge of cross-border and onshore and offshore transactions and structures.

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

Mr. David Michael Norman, aged 62, an Independent Non-executive Director and a member of the BARMC of Guoco since July 2013. He was appointed as the Chairman of the Share Registrars' Disciplinary Committee of the Securities and Futures Commission of Hong Kong ("SFC") for a term from 1 April 2017 to 31 March 2019. He was also appointed as a member of the Takeovers Appeal Committee of the SFC and reappointed as a member of the Takeovers and Mergers Panel of the SFC, both for a term from 1 April 2018 to 31 March 2020. Mr. Norman studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom and Hong Kong in 1981 and 1984 respectively. He was a partner of an international law firm until he resigned in 2010. Mr. Norman is also a non-executive director of South China Holdings Company Limited, listed in Hong Kong. Mr. Norman has extensive experience in mergers and acquisitions and corporate finance.

FINANCIAL HIGHLIGHTS

	2018 HK$'M	2017 HK$'M	Increase/ (Decrease)
Turnover	35,589	23,220	53%
Revenue	30,640	13,960	119%
Profit from operations	5,809	5,518	5%
Profit attributable to equity shareholders of the Company	4,899	6,124	(20%)
	HK$	HK$	
Earnings per share	15.07	18.84	(20%)
Dividend per share:			
Interim	1.00	1.00	
Proposed final	–	3.00	
Total	1.00	4.00	(75%)
Equity per share attributable to equity shareholders of the Company	198.99	188.20	6%

TEN YEAR SUMMARY

US$'000

Years	Total assets	Total liabilities	Total equity attributable to equity shareholders of the Company	Profit/(loss) for the year attributable to equity shareholders of the Company	Dividend per ordinary share US$
2009	9,530,768	3,367,014	5,121,487	61,364	0.26
2010	9,743,006	3,215,707	5,569,187	363,626	0.36
2011	15,014,970	7,275,121	6,297,179	534,459	0.41
2012	13,838,778	6,777,309	5,698,683	(166,810)	0.28
2013	15,992,118	7,936,590	6,517,923	811,725	0.84[1]
2014	16,610,521	7,442,421	7,256,604	742,151	0.52
2015	16,511,383	7,053,466	7,538,536	596,590	0.52
2016	14,709,370	5,628,729	7,239,547	397,967	0.52
2017	16,483,381	6,577,487	7,934,057	784,639	0.51
2018	**16,809,305**	**6,022,532**	**8,344,386**	**624,297**	**0.13**

HK$'000

Years	Total assets	Total liabilities	Total equity attributable to equity shareholders of the Company	Profit/(loss) for the year attributable to equity shareholders of the Company	Dividend per ordinary share HK$
2009	73,864,407	26,094,697	39,692,037	475,577	2.00
2010	75,843,455	25,032,349	43,352,779	2,830,611	2.80
2011	116,853,254	56,618,266	49,007,481	4,159,400	3.20
2012	107,331,487	52,563,792	44,198,131	(1,293,754)	2.20
2013	124,047,661	61,562,542	50,558,225	6,296,389	6.51[1]
2014	128,743,997	57,684,345	56,244,124	5,752,227	4.00
2015	127,997,067	54,678,822	58,439,108	4,624,794	4.00
2016	114,132,208	43,674,152	56,172,731	3,087,886	4.00
2017	128,657,732	51,339,258	61,927,695	6,124,343	4.00
2018	**131,902,616**	**47,258,808**	**65,478,397**	**4,898,859**	**1.00**

Note:

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

CHAIRMAN'S STATEMENT

"We will remain vigilant and disciplined in managing our core businesses and investments. We will be mindful of exuberance and continue to expand our businesses and pursue investment opportunities with a time tested value approach."

On behalf of the Board of Directors I hereby present our Annual Report of the Company and its subsidiaries (the "Group") for the financial year ended 30 June 2018.

OVERVIEW

The Group recorded a higher turnover of US$4.5 billion compared to US$3.0 billion achieved in the preceding year, with particular contribution from our Property Development and Investment business following completion of its projects in the financial year just ended. Profit attributable to shareholders of the Company for the year was, however, down 20% to US$624 million from the previous year's profit of US$785 million as reduced profits were recorded in our Principal Investment business despite improved profit contribution from Property Development and Investment business.

For Principal Investment, the past financial year 2017/18 can best be described as a "tale of two halves". In the first half, equity assets continued their relentless advance which began after the 2016 US presidential election. The second half saw equity markets adopt cautionary stances as global trade disputes, rising inflation, and volatile bond yields led to sharp corrections which hit the emerging markets hard. The overall soft tone of equity markets at the close of the financial year, adversely impacted the Group's Principal Investment portfolio with reduced fair market valuations.

Prices of property markets in Singapore and China saw substantial increases in the financial year 2017/18, which led the respective governments to put in place more austere property cooling measures in the second half of 2018. Coupled with softer economic outlook, the operating environment of our property development and investment business has become more challenging.

Uncertainties arising from the UK's terms of exit from the Eurozone and weaker economic outlook in key inbound markets have also impacted overall trading and sentiment for the hospitality and leisure businesses of the Group.

While the operating environments in which our core businesses were highly volatile during the subject year, they remain committed to the execution of their business plans and delivered fair results.

DIVIDEND

The Company has declared an interim dividend of HK$1.00 per share which was paid in March 2018. In light of the Privatisation Proposal jointly announced by the Company and GuoLine Overseas Limited (as the Offeror) on 2 July 2018, the Company does not intend to recommend any final dividend, other than the proposed special dividend by way of distribution in-specie of ordinary shares in Hong Leong Financial Group Berhad, being part of the Proposal (see below), until the Proposal has become binding and effective or is aborted, lapses or is withdrawn in accordance with its terms.

CORE BUSINESSES

Principal Investment

Amidst the euphoria in the first half of our financial year, volatility reappeared in the second half of the year. The days of easy money from the central banks of developed markets such as the U.S. and Europe appeared to be coming to an end. Japan remained the only exception with an accommodative monetary policy. Stock markets in China fell into bear market territory amidst a protracted period of trade tensions with her largest customer, the U.S. Countering these market unfriendly trends was strong corporate profit growth arising from economic recoveries witnessed in the G7 countries. Equity asset values in the developed markets especially the U.S. remained at lofty valuations.

We adhered to our investment policy of focusing on value investment opportunities and refrained from investment in popular but expensive high technology stocks which recently underwent market correction. We are mindful to guard against generating capital gains at the expense of prudent risk-reward assessment and management. Protecting our shareholder funds is at the top of our priority list. Having said that, shareholders are reminded that our Principal Investment results are subject to fair valuation and therefore investment performance would remain volatile.

Property Development and Investment

GuocoLand Limited ("GuocoLand")

Supported by recognition of revenue from its property development business and higher contributions from its property investment business, GuocoLand has delivered better performance for the year ended 30 June 2018. Changfeng Residence, the residential project in Shanghai completed during the year and Tanjong Pagar Centre's Guoco Tower which made its maiden full year contribution since its completion in late 2016 were the drivers of the better results achieved for the year.

While GuocoLand has been active in both public and private land tenders over the year, it has been selective and disciplined in the search for suitable investment opportunities. The three acquisitions were well-located, prime land sites in Singapore, including the Beach Road Downtown Core commercial site through the government land sales, and the Pacific Mansion and Casa Meyfort freehold residential sites through en bloc acquisitions. The additions to the land bank have expanded its pipeline of mixed-use, commercial and residential developments.

Real estate development and investment are capital intensive businesses and GuocoLand continues to manage its capital structure prudently with gearing level remaining stable despite increase in total debt to S$4.92 billion as at 30 June 2018 mainly due to the partial financing of the new land acquisitions. Maintaining a sound financial position remains a priority for GuocoLand to ensure its capability and flexibility to capture growth opportunities when they arise.

Given the generally softer economic outlook and property cooling measures undertaken, GuocoLand expects business conditions in the countries in which it operates to continue to be challenging. Given a good track record as a developer of quality properties, GuocoLand will continue its focus on delivering well-designed, good quality properties in prime locations that appeal to buyers and tenants. It will remain selective in its search for suitable investment opportunities which offer sustainable sale revenue, recurring returns and portfolio diversification.

Hospitality and Leisure

GL Limited ("GL")

GL continued to build on its transformation efforts and focused on upgrading its hotel portfolio in London during the year. The ongoing refurbishment project at The Cumberland which will reopen in 2019 as the Hard Rock Hotel London is proceeding as scheduled while a new F&B format by way of a sports bar branded as Re-Play was introduced. This will be rolled out in selected hotels across the GLH hotel estate over the ensuing 12 months.

To combat the market softness, GL pursued an occupancy-led strategy to uplift the combined hotel RevPAR income and to protect its market share. Thanks to a one-off income from the compulsory purchase compensation of the Euston hotel for the High Speed 2 railway project in October 2017, GL reported a significant higher profit after tax for the year.

Against the backdrop of weaker UK economic growth over the Brexit uncertainty, pressures on corporate and consumer spending and high levels of new supply openings, the UK hotel market is expected to remain challenging. However, the surge in overseas tourism boosted by stronger global growth and a weak pound have made the hospitality market in London relatively resilient. With a financially strong balance sheet and a conservative debt-to-equity ratio, GL remains committed to its hotel strategy in the UK while taking a cautious outlook.

The Rank Group Plc ("Rank")

Rank experienced a challenging year and its operating profit down by 7.7% as compared to the previous financial year. This was primarily due to lower win margin, softer revenues from its retail channels, stringent customer due diligence introduced by the Gaming Commission and extreme weather in the UK. However, its digital operations continued to register revenue growth and generated 17% of Rank's total revenue. Given that digital channels now represent around 35% of Great Britain's gambling market (excluding National Lottery), Rank's digital operations present a significant growth opportunity. The acquisition of YoBingo.es, a leading Spanish digital bingo operator, further solidified Rank's strong presence in Spain which is a high growth and regulated digital gaming market.

The new leadership team of Rank has initiated a transformation programme to deliver revenue growth, greater cost efficiency and operational improvements across the group. Rank is one of the few gaming companies in a position to provide customers a multi-channel gaming experience. It remains confident in its strategic direction to drive sustainable profit growth.

Financial Services

Hong Leong Financial Group Berhad ("HLFG")

Amidst a subdued business environment and cautious consumer sentiment during the year, HLFG achieved commendable results with a record pretax profit of RM3,579 million, contributed by a steady and better business momentum from its commercial banking and insurance businesses.

HLFG has made digitalisation a core part of its strategy and has been keeping abreast of new developments, investing in technology, as well as consciously positioning its businesses to stay competitive. Going forward, HLFG's focus will remain on growing its embedded business value on a sustainable basis while continuing to seek suitable acquisition opportunities to complement its various financial service segments.

PRIVATISATION PROPOSAL

On 29 June 2018, GuoLine Overseas Limited (as the Offeror), being the majority shareholder of the Company, had requested the board of directors of the Company to put forward to its shareholders a proposal for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act of Bermuda (the "Scheme") and the payment of a special dividend by way of a distribution in-specie of up to 291,117,141 ordinary shares in HLFG to the shareholders of the Company (the "Distribution", together with the Scheme, the "Proposal"). A scheme document containing, among other things, further details about the Proposal, recommendations from the independent board committee (the "IBC"), a letter of advice from the independent financial adviser to the IBC and a notice of the Court Meeting and the special general meeting will be sent to the shareholders on or before 19 October 2018 in accordance with the Takeovers Code.

GROUP OUTLOOK

The ongoing global trade tensions together with geo-political uncertainties in various quarters of the world along with the November 2018 congressional elections in the U.S. will provide a backdrop of uncertainty and a damper on economic growth.

We will remain vigilant and disciplined in managing our core businesses and investments. We will be mindful of exuberance and continue to expand our businesses and pursue investment opportunities with a time tested value approach.

GROUP HUMAN RESOURCES

Developing the right human resources is critical to the success of our long-term efforts. We believe that our businesses are best served by having and developing the right talent for the right jobs, while at the same time balancing other key business metrics such as our cost income ratio. We take seriously our human resources policies in relation to hiring, training and developing our people. We seek to hire and retain the talents and provide them with a conducive, stimulating work environment and incentives to encourage them to grow with us to create long term capital value.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We recognise the importance of sustainability to our businesses and strive towards integrating sustainability into our businesses, towards becoming a stronger, more resilient group. Our subsidiary groups have taken initiatives relevant to their business to fulfil their commitment to growing their businesses responsibly, balancing environmental with economic considerations, as well as creating a positive impact for the stakeholders and contributing to the communities.

APPRECIATION

I would like to extend my thanks to our shareholders, customers, bankers and business associates for their unwavering support to the Group. My deepest appreciation goes to my fellow Board members for their counsel and guidance in the past year. I also wish to thank the management and staff for their continued hard work, commitment and dedication.

Kwek Leng Hai
Executive Chairman
3 September 2018

PRINCIPAL INVESTMENT

PRINCIPAL INVESTMENT

During the year, the Group recognized an operating profit generated from the Principal Investment (including dividend income) of HK$327 million, down 92% as compared to last year.

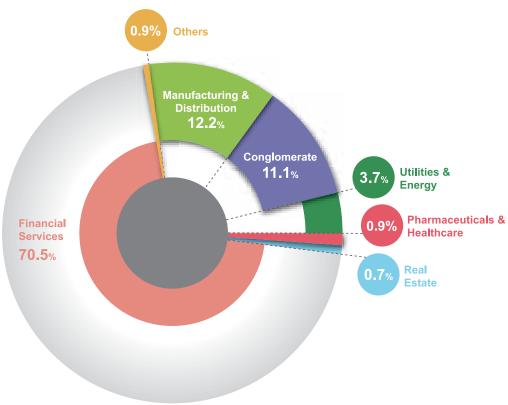
In the first half of the financial year, we crystallized profits from our investments in Japan and China. As the aging bull market inched forward, we believed that it would be wise to manage our exposure prudently. Our emphasis on dividend paying stocks provided stability to the value of our investments in the volatile second half of the year. The realised profit and the dividend income have mitigated the adverse mark-to-market fair valuation impact on our investment portfolio due to softening of the equity markets.

Our Treasury team performed well in optimizing the returns in foreign exchange and interest rate management for the Group. Foreign currency exposures with appropriate hedging netted good results in the year ended 30 June 2018. Through the deployment of yield enhancement strategies, our Treasury team generated a modest positive net interest income despite a larger loan liability in this financial year.

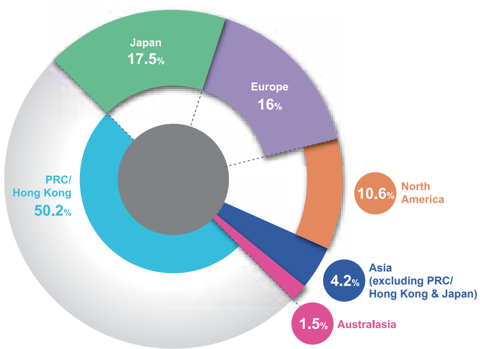
Investment Portfolio

As of 30 June 2018, the Group's total investments under the Principal Investment amounted to US$3,454 million. The investment portfolio consists of a total of over 40 securities. The breakdown of our investment portfolio (excluding The Bank of East Asia, Limited ("BEA")) as at 30 June 2018 by sector and geography are as follows:

By Sector:



By Geography:



Major Investment

Pursuant to substantial shareholding notification, the Group held approximately 14.15% in the total issued share capital of BEA. It is a major investment which accounted for more than 5% of the total asset value of the Group as at 30 June 2018 with a fair value of US$1,652 million, compared to US$1,712 million as at 30 June 2017. Dividend income received from the investment in BEA for the year amounted to approximately US$66 million.

For the first six months ended 30 June 2018, BEA earned a profit attributable to owners of the parent of HK$3,992 million, representing a decrease of HK$2,228 million or 35.8%, compared with the HK$6,220 million earned in the same period in 2017. The 2017 result included a net profit of HK$3,049 million from the disposal of discontinued operations, in respect of the disposal of Tricor Holdings Limited. Excluding the gain from discontinued operations recorded in the first half of 2017, profit attributable to owners of the parent increased by HK$821 million, or 25.9%, mainly contributed by higher net interest income and non-interest income, net fee and commission income and lower impairment.

It was set out in BEA's outlook that in the second half of 2018, BEA will focus on deepening the digital transformation process, expanding fee income, containing operating costs and enhancing asset quality. The bank will focus on raising non-interest income such as from retail/corporate wealth management and private banking services. BEA will continue to reduce its exposure to high-credit-risk and cyclical industries on the Mainland.

PROPERTY DEVELOPMENT AND INVESTMENT

Guoco Tower, Singapore

PROPERTY DEVELOPMENT AND INVESTMENT

GuocoLand Limited ("GuocoLand")

GuocoLand ended the financial year with revenue of S$1.16 billion and profit attributable to equity holders of S$381.3 million, an increase of 4% and 7% respectively as compared to the previous financial year.

Revenue in the current financial year was supported by stable contributions from GuocoLand's property development business, as well as higher contributions from the property investment business. Guoco Tower which was completed in October 2016 made its maiden full year contribution in this financial year. Meanwhile, gross profit increased by 11% to S$280.1 million as compared to the previous financial year.

Other income decreased by 48% to S$164.5 million as a result of lower fair value gain from Guoco Tower as compared to the previous financial year. Mainly due to higher sales activities and the commencement of the new hotels during the year, administrative expenses increased by 23% to S$90.6 million. Finance costs increased by 33% to S$96.2 million due to higher borrowings and lower capitalisation of finance costs as compared to the previous financial year.

Exterior view of DC Residensi, Malaysia (Artist's impression)

Contributions from Changfeng Residence, a joint venture residential project in Shanghai which has been substantially sold and completed, was the main reason for GuocoLand's share of profit of associates and joint ventures to increase by S$158.7 million to S$203.6 million.

According to statistics released by the Urban Redevelopment Authority in Singapore, private residential property prices increased by 3.4% for the second quarter of 2018. This was the fourth consecutive quarter of increase albeit lower than the 3.9% increase in the first quarter of 2018. On 5 July 2018, the government announced the latest round of property cooling measures, which includes higher Additional Buyer Stamp Duty rates and tighter Loan-to-Value limits on residential property purchases.

New home prices in Chongqing continued to be on the rise in July 2018. Official data showed that new home prices in Chongqing had increased 1.3% month-on-month and 8.2% year-on-year.

In Malaysia, GuocoLand will continue to focus on sales and leasing of its current projects amid challenging operating conditions which are expected to continue in the near term.

Exterior view of Changfeng Residence, Shanghai (Artist's impression)

HOSPITALITY AND LEISURE

Lobby of The Grovsenor Hotel, London

HOSPITALITY AND LEISURE

GL Limited ("GL")

GL recorded a profit after tax for the year ended 30 June 2018 at US$58.9 million, an increase of 20% as compared to US$48.9 million in the previous financial year.

Revenue decreased by 1% year-on-year to US$344.4 million due mainly to lower revenue generated by hotel and oil and gas segments. Hotel revenue was lower compared to last year as a result of fewer rooms available for sale due to the refurbishment of The Cumberland. However, the strengthening of GBP (increased by 6% year-on-year) against USD had mitigated the impact. Lower revenue from oil and gas segment compared to the previous financial year was due to lower oil and gas production despite an increase of 19% year-on-year in the average crude oil price. The increase in cost of sales was mainly due to the strengthening of GBP against USD.

River facing room of The Royal Horseguards Hotel, London

The increase in other operating income was due to compensation from the compulsory acquisition of one hotel property and a recovery of legacy loan which had been written off previously.

The increase in administrative expenses for the year was mainly due to the strengthening of GBP against USD. The decrease in other operating expenses was mainly due to one-off expenses in the previous financial year. These were the certain assets and equipment written off due to review of hotel business strategy and the settlement of a legal claim against a subsidiary in the United Kingdom which provided a guarantee to a third party in relation to a hotel property previously leased and operated by another subsidiary.

Wedding banquet at The Tower Hotel, London

Afternoon tea set at The Tower Hotel, London

Garden view of The Royal Horseguards Hotel, London

Higher financing costs for the year were due to higher interest cost from an interest rate hedging contract. Higher income tax expense was associated with higher earnings from the hotel segment.

The gaming segment had ceased operation on 29 March 2018. A non-recurring expense of US$6.3 million was incurred for redundancy costs, impairment loss on plant and equipment as well as the casino brand name during the year.

The refurbishment of The Cumberland is progressing into its final stage and the hotel is on track to be launched as the Hard Rock Hotel London in 2019. GL's total rooms available for sale will continue to be affected during this refurbishment period.

The Secret Herb Garden at the terrace of The Royal Horseguards Hotel, London

The Rank Group Plc ("Rank")

The FY2017/18 has been a challenging year for Rank driven principally by a disappointing performance from Grosvenor's casinos. Rank recorded a profit after tax (before exceptional items) for the year ended 30 June 2018 of GBP58.5 million, a decrease of 7.3% as compared to the previous year. Statutory revenue decreased by 2.3% to GBP691.0 million.

Revenue for Grosvenor Casinos declined by 6.1% in the year. Performance was materially impacted by further enhanced customer due diligence following the published advice of the UK Gambling Commission in September 2017. Consequently, customer visits declined resulting in revenue falling 9.9% in the second half compared to a 2.4% fall in the first half. Grosvenor's performance was further hindered by a lower gaming margin from its major players and adverse weather in the third quarter. Operating profit fell by 6.7% due to lower revenues.

Mecca's revenue fell 2.6% in the year driven by a 7.9% decline in customer visits. Operating profit fell by 4.3%, a lower decline than expected by management as a result of improved cost control across both employment and marketing activities. Mecca's new bingo concepts (Big Bingo Bash, Bonkers Bingo, Student events, Initial Newbie nights and other broader entertainment events) continued to be tested with good results. These concepts are helping drive visits as well as contributing incremental revenue and profit.

Rank's UK digital business grew with revenue up 9.9%. Importantly, a successful 'Meccarena' marketing campaign and ongoing investments into the meccabingo.com offer drove revenue up 10.9%, following two years of low single digit growth rates. Grosvenorcasinos.com grew revenue 8.2% in the year, however the more stringent customer due diligence (highlighted above) impacted the performance resulting in revenue declining in the second half following strong growth in the first half. Insufficient marketing investment and a temporary system issue, which resulted in some of our more valuable multi-channel customers not being contacted, exacerbated grosvenorcasinos.com's weak performance in the second half. Operating profit fell by GBP1.8 million in the year to GBP20.9 million following the introduction of remote gaming duty ('RGD') on customer bonuses, which resulted in GBP2.5 million of incremental RGD in the year.

The Spanish operations, Enracha, delivered a strong performance with revenue up 11.0% and operating profit up 2.8%.

Pretax exceptional items relating to continuing operations produced an exceptional cost of GBP26.9 million in the year, mainly comprising impairments of GBP12.1 million principally relating to the underperformance of five Grosvenor casinos and the experimental Luda venue, onerous lease costs of GBP9.1 million relating to leases of two operating casinos and a closed site as well as the closure costs of a Grosvenor's casino of GBP3.7 million.

FINANCIAL SERVICES

Headquarters of Hong Leong Bank Berhad, Kuala Lumpur

FINANCIAL SERVICES

Hong Leong Financial Group Berhad ("HLFG")

HLFG achieved a record profit before tax of RM3,578.6 million for the year ended 30 June 2018 as compared to RM3,089.9 million last year, an increase of RM488.7 million or 15.8%. The increase was mainly due to higher contribution from the commercial banking and insurance divisions.

The commercial banking division recorded a profit before tax of RM3,246.3 million for the year ended 30 June 2018 as compared to RM2,748.3 million last year, an increase of RM498.0 million or 18.1%. The increase was due to higher revenue of RM288.9 million, higher share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM172.6 million, higher write-back of impairment losses on financial investment of RM4.9 million and lower allowance for impairment losses on loans, advances and financing of RM84.5 million. This was however offset by higher operating expenses of RM52.9 million.

On 31 January 2018, Bank of Chengdu was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised RMB2.53 billion. Arising from the IPO, the banking division's equity interest in Bank of Chengdu is now reduced from 20% to 18% of the enlarged capital.

The insurance division recorded a profit before tax of RM348.0 million for the year ended 30 June 2018 as compared to RM337.8 million last year, an increase of RM10.2 million or 3.0%. The increase was mainly due to higher revenue of RM24.7 million, lower operating expenses of RM1.4 million and higher life fund surplus of RM0.4 million. This was however offset by lower share of profit from associated company of RM10.3 million and higher allowance for impairment losses on securities of RM6.0 million.

The investment banking division recorded a profit before tax of RM78.6 million for the year ended 30 June 2018 as compared to RM84.0 million last year, a decrease of RM5.4 million or 6.4%. This was mainly due to lower contribution from the investment banking and stockbroking divisions.

GROUP FINANCIAL COMMENTARY

Financial Results

The audited consolidated profit attributable to equity shareholders for the year ended 30 June 2018, after taxation and non-controlling interests, amounted to HK$4,899 million, down 20% as compared to HK$6,124 million for the previous year. Basic earnings per share amounted to HK$15.07.

For the year ended 30 June 2018, profit before taxation was generated from the following sources:

- property development and investment of HK$6,247 million;
- hospitality and leisure of HK$1,073 million;
- financial services of HK$934 million;
- principal investment of HK$327 million;
- oil and gas royalty of HK$154 million;

and was offset by HK$834 million of finance costs.

Revenue increased by 119% to HK$30.6 billion, attributed by the increase in property development and investment sector of HK$15.8 billion.

Capital Management

The Group's consolidated total equity attributable to equity shareholders of the Company as at 30 June 2018 amounted to HK$65.5 billion, an increase of 6% or HK$3.6 billion as compared to the previous year.

The equity-debt ratio as at 30 June 2018 is arrived at as follows:

	HK$'M
Total borrowings	37,657
Less: Cash and short term funds	(19,860)
Trading financial assets	(13,016)
Net debt	4,781
Total equity attributable to equity shareholders of the Company	65,478
Equity-debt ratio	93 : 7

The Group's total cash balance and trading financial assets were mainly in USD (27%), RMB (22%), HKD (19%), SGD (10%), GBP (10%), and JPY (8%).

Total Borrowings

There was an increase in total borrowings from HK$37.2 billion as at 30 June 2017 to HK$37.7 billion as at 30 June 2018. The Group's total borrowings are mostly denominated in SGD (67%), USD (12%), GBP (7%) and MYR (6%).

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

	Bank loans HK$'M	Mortgage debenture stock HK$'M	Other borrowings HK$'M	Total HK$'M
Within 1 year or on demand	10,009	–	1,613	11,622
After 1 year but within 2 years	2,581	–	1,021	3,602
After 2 years but within 5 years	18,051	589	3,757	22,397
After 5 years	23	–	13	36
	20,655	589	4,791	26,035
	30,664	589	6,404	37,657

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$40.8 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 30 June 2018 amounted to approximately HK$13.0 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 2018, approximately 82% of the Group's borrowings were at floating rates and the remaining 18% were at fixed rates. The Group had outstanding interest rate swaps with a notional amount of HK$1.4 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 exposures and investments.

As at 30 June 2018, there were outstanding foreign exchange contracts with a total notional amount of HK$26.5 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

Details are encapsulated in note 38 "Contingent Liabilities" to the Financial Statements in this annual report.

HUMAN RESOURCES AND TRAINING

The Group employed over 12,900 employees as at 30 June 2018. 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.

CORPORATE GOVERNANCE REPORT

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

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

The Board is pleased to report compliance with the applicable HKEx Code throughout the financial year ended 30 June 2018, except where otherwise stated.

A. DIRECTORS

1. The Board

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

The main role and responsibilities of the Board broadly cover, among others, reviewing and approving corporate mission and broad strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; reviewing and approving key matters such as financial results, investments and divestments and other material transactions; and reviewing the Company's policies and practices on corporate governance as well as legal and regulatory compliance.

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

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

A. DIRECTORS (cont'd)

1. The Board (cont'd)

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

Executive Chairman
Kwek Leng Hai

President & CEO
Tang Hong Cheong

Non-executive Directors
Kwek Leng San
Tan Lim Heng

Independent Non-executive Directors
Volker Stoeckel
Roderic N. A. Sage
David Michael Norman

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

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

The Company received confirmation of independence from each of the independent non-executive directors (the "INED") for the year pursuant to Rule 3.13 of the Listing Rules. The Company considers that Messrs Volker Stoeckel, Roderic N. A. Sage and David Michael Norman continue to be independent up to and as at the date of this report.

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

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

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

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

A. DIRECTORS (cont'd)

3. Board Meetings and Access of Information

The Board meets regularly. During the year, five board meetings were held and details of directors' attendance are as follows:

	Meetings attended/held
Executive Chairman	
Kwek Leng Hai	5/5
President & CEO	
Tang Hong Cheong	5/5
Non-executive Directors	
Kwek Leng San	5/5
Tan Lim Heng	5/5
Independent Non-executive Directors	
Volker Stoeckel	4/5
Roderic N. A. Sage	5/5
David Michael Norman	5/5

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

Where appropriate, decisions are also taken by way of circulated resolutions. The Board also receives information between meetings about developments in the Company's business.

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

4. Directors' Securities Transactions

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

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

A. DIRECTORS (cont'd)

5. Directors' Continuous Training and Development Programme

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

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

During the year ended 30 June 2018, all directors of the Company received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient laws and regulations, environmental, social and governance matters applicable to the Group were provided to the directors. They also attended regulatory update sessions and seminars on relevant topics. All directors are requested to provide the Company with their respective training record pursuant to the CGP Code.

B. DIRECTORS' REMUNERATION

1. Board Remuneration Committee ("BRC")

The principal role of the BRC is to make recommendations to the Board on the policy and structure for the remuneration of directors and senior management, as well as to determine, with delegated responsibility from the Board as described under Code B.1.2(c)(i) of the HKEx Code, the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payment which may include any compensation payable for loss or termination of their office or appointment. Detailed terms of reference of the BRC is accessible on the Company's website.

Membership and attendance

For the year ended 30 June 2018, the members of the BRC and their attendance at the meetings are set out below:

	Meetings attended/held
Volker Stoeckel – *Chairman*	3/3
Kwek Leng Hai	3/3
Roderic N. A. Sage	3/3

Work done during the year

- reviewed and recommended directors' fees for the non-executive directors for the financial year 2016/17;
- approved the discretionary bonuses for the directors and senior management for the financial year 2016/17;
- reviewed and approved the remuneration packages of the executive directors and senior management for the calendar year 2018;
- reviewed the terms of reference of the BRC and the remuneration policy for directors and senior management; and
- deliberated the statement relating to the BRC for inclusion in the Corporate Governance Report.

B. DIRECTORS' REMUNERATION (cont'd)

2. Level and Make-up of Remuneration

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

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

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

Details of the remuneration of the directors for the year ended 30 June 2018 are provided in note 9 to the Financial Statements in this annual report.

C. DIRECTORS' NOMINATION

1. Board Nomination Committee ("BNC")

The principal role of the BNC is to make recommendations to the Board on the structure, size, composition and diversity of the Board, to review the independence of independent non-executive directors, the suitability of directors who will stand for re-election and directors' continuous training and development programme and to formulate a policy concerning board diversity, monitor the implementation of such policy and to review the same, as appropriate. Detailed terms of reference of the BNC is accessible on the Company's website.

Membership and attendance

For the year ended 30 June 2018, the members of the BNC and their attendance at the meetings are set out below:

	Meetings attended/held
Kwek Leng Hai – *Chairman*	1/1
Volker Stoeckel	1/1
Roderic N. A. Sage	1/1

Work done during the year

- reviewed the structure, size, composition and diversity of the Board (including the mix of skills, knowledge, experience, competences of directors, and the balance between executive, non-executive and independent non-executive directors) annually;
- reviewed and assessed the independence of independent non-executive directors of the Company;
- reviewed the profile of and participation in the Company's affairs of the directors who stood for re-election at the annual general meeting;
- reviewed the continuous training and development programmes undertaken by directors to ensure that an appropriate programme is in place;
- reviewed the terms of reference of the BNC and the Board Diversity Policy; and
- deliberated the inclusion of statement related to the BNC in the Corporate Governance Report.

C. DIRECTORS' NOMINATION (cont'd)

2. Board Diversity Policy

The Company has adopted the Board Diversity Policy pursuant to which the Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company maintains that selection of candidates for Board appointments will be based on a range of diversity perspectives and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The BNC reviews annually the Board Diversity Policy to ensure its effectiveness and application.

D. ACCOUNTABILITY AND AUDIT

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

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

Membership and attendance

For the year ended 30 June 2018, the members of the BARMC and their attendance at the meetings are set out below:

	Meetings attended/held
Roderic N. A. Sage – *Chairman*	4/4
Volker Stoeckel	4/4
David Michael Norman	4/4

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

Work done during the year

- reviewed the nature and scope of external audit, the independence of external auditor and effectiveness of the audit process and approved the external audit fee and the engagement terms;
- reviewed the interim financial report, the interim results announcement, the annual accounts and the final results announcement;
- reviewed and discussed with the management the effectiveness of the risk management and internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function;
- reviewed the Group's accounting policies and practices;

D. ACCOUNTABILITY AND AUDIT (cont'd)

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

Work done during the year (cont'd)

- reviewed and approved the annual internal audit plan;
- reviewed major findings of internal audit assignments and the progress of implementation of remedial measures on control issues identified;
- reviewed the effectiveness of the processes for financial reporting and listing rule compliance of the Company;
- reviewed connected transactions entered into by the Group or subsisting during the year;
- reviewed the terms of reference of the BARMC; and
- deliberated the statement relating to the BARMC for inclusion in the Corporate Governance Report.

2. Financial Reporting

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

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

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

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

A statement of the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 61 to 66 of this annual report.

D. ACCOUNTABILITY AND AUDIT (cont'd)

3. Risk Management and Internal Controls

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

The BARMC oversees the effectiveness of the processes for financial reporting and listing rule compliance. It also reviews the adequacy of resources, qualifications and experience of staff of the accounting, internal audit and financial reporting function and their training program.

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

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

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

Handling and Dissemination of Inside Information

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

4. Auditor's Remuneration

The fees charged by the Group's external auditor for the year in respect of annual audit services amounted to HK$17,530,000 and those in respect of non-audit services (comprising tax advisory and review, transaction support and consultancy services) amounted to HK$1,365,000.

E. INVESTOR RELATIONS

1. Communication with Investors

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

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

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

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

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

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

E. INVESTOR RELATIONS (cont'd)

2. General Meetings

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

During the year, an annual general meeting was held and details of directors' attendance at the meeting are as follows:

	Meetings attended/held
Executive Chairman	
Kwek Leng Hai	1/1
President & CEO	
Tang Hong Cheong	1/1
Non-executive Directors	
Kwek Leng San	1/1
Tan Lim Heng	1/1
Independent Non-executive Directors	
Volker Stoeckel	1/1
Roderic N. A. Sage	1/1
David Michael Norman	0/1

3. Rights and Procedures for Shareholders to Convene General Meetings

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

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

3 September 2018

FINANCIAL SECTION CONTENTS

REPORT OF THE DIRECTORS

The directors of the Company present their report together with the audited financial statements of the Group for the year ended 30 June 2018 (the "Financial Statements").

PRINCIPAL ACTIVITIES

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

The analysis of the principal activities and locations of operations of the Company and its principal subsidiaries during the year is set out in note 16 to the Financial Statements.

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2018 are provided in the Chairman's Statement and Management Discussion and Analysis sections of this annual report.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in note 16 to the Financial Statements.

FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2018 and the state of the Company's and the Group's affairs as at that date are set out in the Financial Statements on pages 67 to 165.

DIVIDENDS

An interim dividend of HK$1.00 (2017: HK$1.00) per share totalling HK$329,051,000 (2017: HK$329,051,000) was paid on 26 March 2018. The directors do not recommend the payment of any final dividend in respect of the year ended 30 June 2018 (2017: HK$3.00 per share totalling HK$987,152,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US$1,141,000 (2017: US$876,000).

SHARE CAPITAL, CONVERTIBLE SECURITIES AND WARRANTS

The Company did not issue any new share, convertible securities and warrants during the year. Details of the share capital of the Company are shown in note 32 to the Financial Statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed in this Directors' Report, no equity-linked agreement was entered into by the Company subsisted at the end of the year or at any time during the year ended 30 June 2018.

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 2018.

PROPERTIES

Particulars of the major development properties, properties held for sale and investment properties of the Group are shown on pages 166 to 168.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Kwek Leng Hai – *Executive Chairman*
Tang Hong Cheong – *President & CEO*
Kwek Leng San*
Tan Lim Heng*
Volker Stoeckel**
Roderic N. A. Sage**
David Michael Norman**

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

In accordance with Bye-Law 99 and Code A.4.2 of the Code of Corporate Governance Practices of the Company, Messrs Tang Hong Cheong, Tan Lim Heng and Roderic N. A. Sage will retire from office by rotation at the forthcoming annual general meeting of the Company (the "AGM"). All of them, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the continuing connected transactions and material related party transactions are set out in this Directors' Report and note 39 to the Financial Statements respectively. Save as disclosed, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party and in which a director or his connected entity had, directly or indirectly, a material interest subsisted at the end of the year or at any time during the year ended 30 June 2018.

MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended 30 June 2018.

INDEMNITY OF DIRECTORS

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

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

As at 30 June 2018, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Company ("Model Code") were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Certain information herein is based on additional information of the relevant events on or before 30 June 2018 with the disclosure deadlines under the SFO falling after 30 June 2018.

(A) The Company

	Number of *shares/underlying shares (Long Position)				
Director	Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of the Company	
Kwek Leng Hai	3,800,775	–	3,800,775	1.16%	
Tang Hong Cheong	130,000	–	130,000	0.04%	Note
Kwek Leng San	209,120	–	209,120	0.06%	
Tan Lim Heng	566,230	–	566,230	0.17%	
David Michael Norman	4,000	–	4,000	0.00%	

* Ordinary shares unless otherwise specified in the Note

Note:
The total interests of 130,000 shares/underlying shares comprised 10,000 ordinary shares of the Company and an option in respect of 120,000 underlying shares of the Company pursuant to an executive option scheme of a Hong Leong Group company.

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

(B) Associated Corporations

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

	Number of *shares (Long Position)			
Director	Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLCM
Kwek Leng Hai	420,500	–	420,500	2.61%
Kwek Leng San	160,895	–	160,895	1.00%

* Ordinary shares

b) GuocoLand Limited ("GLL")

	Number of *shares/underlying shares (Long Position)				
Director	Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of GLL	
Kwek Leng Hai	35,290,914	–	35,290,914	2.98%	
Tang Hong Cheong	865,000	–	865,000	0.07%	Note
Tan Lim Heng	1,337,777	–	1,337,777	0.11%	
Volker Stoeckel	1,461,333	–	1,461,333	0.12%	

* Ordinary shares unless otherwise specified in the Note

Note:
The total interests of 865,000 shares/underlying shares comprised 65,000 ordinary shares of GLL and an option of 800,000 underlying shares of GLL pursuant to an executive option scheme of a Hong Leong Group company.

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

(B) Associated Corporations (cont'd)

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

	Number of *shares (Long Position)			
Director	Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLFG
Kwek Leng Hai	2,526,000	–	2,526,000	0.22%
Tang Hong Cheong	249,146	–	249,146	0.02%
Kwek Leng San	654,000	–	654,000	0.06%
Tan Lim Heng	267,813	–	267,813	0.02%

* Ordinary shares

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

	Number of *shares/underlying shares (Long Position)				
Director	Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of GLM	
Kwek Leng Hai	226,800	–	226,800	0.03%	
Tang Hong Cheong	300,000	–	300,000	0.04%	Note
Tan Lim Heng	326,010	–	326,010	0.05%	

* Ordinary shares unless otherwise specified in the Note

Note:
The total interests of 300,000 shares/underlying shares comprised 195,000 ordinary shares of GLM and an option of 105,000 underlying shares of GLM pursuant to an executive option scheme of a Hong Leong Group company.

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

(B) Associated Corporations (cont'd)

e) GL Limited ("GL")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of GL	
Tang Hong Cheong	430,000	–	430,000	0.03%	Note
Tan Lim Heng	1,100,000	–	1,100,000	0.08%	

* Ordinary shares unless otherwise specified in the Note

Note:
The total interests of 430,000 shares/underlying shares comprised 300,000 ordinary shares of GL and an option of 130,000 underlying shares of GL pursuant to an executive option scheme of a Hong Leong Group company.

f) The Rank Group Plc ("Rank")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of Rank	
Kwek Leng Hai	1,026,209	–	1,026,209	0.26%	
Tang Hong Cheong	200,000	–	200,000	0.05%	Note
Kwek Leng San	56,461	–	56,461	0.01%	
Tan Lim Heng	152,882	–	152,882	0.04%	

* Ordinary shares unless otherwise specified in the Note

Note:
The total interests of 200,000 shares/underlying shares comprised 70,000 ordinary shares of Rank and an option of 130,000 underlying shares of Rank pursuant to an executive option scheme of a Hong Leong Group company.

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

(B) Associated Corporations (cont'd)

g) Hong Leong Industries Berhad ("HLI")

Director	Number of *shares (Long Position) Personal interests	Family interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLI
Kwek Leng Hai	190,000	–	–	190,000	0.06%
Tang Hong Cheong	300,000	15,000	–	315,000	0.10%
Kwek Leng San	2,300,000	–	–	2,300,000	0.72%

* Ordinary shares

h) Hong Leong Bank Berhad ("HLB")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of HLB
Kwek Leng Hai	5,510,000	–	5,510,000	0.26%
Kwek Leng San	536,000	–	536,000	0.03%

* Ordinary shares

i) Malaysian Pacific Industries Berhad ("MPI")

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issue share capital of MPI
Kwek Leng Hai	71,250	–	71,250	0.04%
Kwek Leng San	1,260,000	–	1,260,000	0.63%

* Ordinary shares

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

(B) Associated Corporations (cont'd)

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

Director	Number of *shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of LSHK
Kwek Leng Hai	2,300,000	–	2,300,000	0.95%
Tang Hong Cheong	700,000	–	700,000	0.29%
Tan Lim Heng	274,000	–	274,000	0.11%

* Ordinary shares

k) Hume Industries Berhad ("HIB")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Family interests	Corporate interests	Total interests	Approx. % of the issued share capital of HIB	
Kwek Leng Hai	205,200	–	–	205,200	0.04%	
Tang Hong Cheong	1,405,600	16,200	–	1,421,800	0.30%	Note
Kwek Leng San	3,921,600	–	–	3,921,600	0.82%	

* Ordinary shares unless otherwise specified in the Note

Note:
The total interests of 1,421,800 shares/underlying shares comprised 1,291,800 ordinary shares of HIB (including family interest) and an option of 130,000 underlying shares of HIB pursuant to an executive option scheme of a Hong Leong Group company.

l) Southern Steel Berhad ("SSB")

Director	Number of *shares/underlying shares (Long Position) Personal interests	Corporate interests	Total interests	Approx. % of the issued share capital of SSB	
Tang Hong Cheong	131,000	–	131,000	0.03%	Note

* Ordinary shares unless otherwise specified in the Note

Note:
The total interests of 131,000 shares/underlying shares comprised 71,000 ordinary shares of SSB and an option of 60,000 underlying shares of SSB pursuant to an executive option scheme of a Hong Leong Group company.

Save as disclosed above, as at 30 June 2018, none of the directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the directors of the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

SHARE OPTIONS

The Company

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

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

A trust (the "ESOS Trust") is in place for the purpose of acquiring existing shares of the Company from time to time to satisfy the exercise of options which may be granted under the ESOS 2012. A wholly owned subsidiary of the Company as the trustee is responsible for administering the ESOS Trust.

The number of new shares of the Company that may be issued upon exercise of all share options to be granted under the ESOS 2012 shall not in aggregate exceed 10% of the issued share capital of the Company as at the Approval Date, i.e. 32,905,137 which represents 10% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Eligible Executives in respect of the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the latest grant shall not exceed 1% of the shares of the Company in issue as at any date of grant.

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

A nominal consideration of HK$1 is payable on acceptance of the share option within 30 days inclusive of, and from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant in respect of such offer.

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

No option has ever been granted to any Eligible Executives pursuant to the ESOS 2012 up to 30 June 2018.

SHARE OPTIONS (cont'd)

GuocoLand Limited ("GLL")

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

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

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

During the financial year, the administration of the GLL ESOS 2008 has been delegated to GLL Remuneration Committee. The GLL Remuneration Committee shall select confirmed employees (including executive directors) of the GLL Group to become participants in the GLL ESOS 2008.

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

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

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

SHARE OPTIONS (cont'd)

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

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

The exercise price per GLL share shall be fixed as follows:

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

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

(a) 20%; or

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

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

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

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

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

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

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

The GLL ESOS 2008 shall continue to be in force at the discretion of the GLL Remuneration Committee, subject to a maximum period of 10 years commencing on the GLL ESOS Effective Date till 20 November 2018. The termination of GLL ESOS 2008 would not affect options which have been granted thereunder and accepted but which remain unexercised on termination.

SHARE OPTIONS (cont'd)

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

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

Details of the options outstanding for the financial year ended 30 June 2018 are as follows:

		No. of GLL shares comprised in options						
Grantees	Date of grant	As at 1 Jul 2017	Granted during the year	Exercised during the year	Lapsed during the year	As at 30 Jun 2018	Notes	Exercise price per GLL share
Executive Director								
Choong Yee How	8 December 2017	–	20,000,000	–	–	20,000,000	1 to 3	S$1.984
Other Executives	8 December 2017	–	19,700,000	–	–	19,700,000	2&3	S$1.984
	Total	–	39,700,000	–	–	39,700,000		

Notes:

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

2. The exercise price of S$1.984 per GLL share was set at a discount of 5.8% to the market price of GLL shares based on the 5-day weighted average market price of GLL shares immediately prior to 8 December 2017 being the date of grant. Each option, shall be exercisable, in whole or in part, subject to vesting conditional on certain performance targets being met following the end of the performance period concluding in the financial year 2018/19 and 2020/21. The options may be exercisable and valid up to 30 months from the date of vesting.

3. Based on the Black-Scholes option pricing model, the fair values of the options granted as at the date of grant ranged from S$0.241 to S$0.285 per option. The assumptions in the Black-Scholes model used to estimate the value of the options are as follows:

    - risk-free interest rate ranged from 1.51% to 1.79%, based on the historical yield of Singapore Government Securities bonds in issue for the expected option life period on the date of grant;
    - expected volatility ranged from 12.96% to 16.35%, based on the historical volatility for the expected option life period prior to the date of grant;
    - expected dividend yield of 2.95%, based on the past one year's historical dividend payout over the market share price of GLL on the ex-dividend date; and
    - expected option life of 1.94 years to 5.94 years.

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

SHARE OPTIONS (cont'd)

GL Limited ("GL")

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

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

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

GL's Remuneration Committee ("RC"), comprising directors of GL who are not participants of GL ESOS 2008, administers the GL ESOS 2008.

The aggregate of: (a) the number of GL shares over which the RC may grant options under the GL ESOS 2008 on any date (the "Date"); and (b) the number of GL shares transferred and to be transferred, and new shares issued and allotted and to be issued and allotted pursuant to all options granted under the GL ESOS 2008, shall not exceed 15% of the issued share capital of GL on the day preceding the Date, provided that the aggregate of: (i) the number of new GL shares to be issued and allotted and over which the RC may grant options under the GL ESOS 2008; and (ii) the number of new GL shares which have been issued and allotted or which are to be issued and allotted to meet all options granted under the GL ESOS 2008, shall not exceed 10% of the issued share capital of GL as at the GGL Approval Date. As at the date of this report, the total number of new GL Shares available for issue under GL ESOS 2008 is 136,806,363, which represents 10% of the issued share capital of GL.

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

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

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

The GL ESOS 2008 shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing from the GGL Approval Date (i.e. 20 November 2018). The termination of GL ESOS 2008 would not affect options which have been granted thereunder and accepted but which remain unexercised on termination.

SHARE OPTIONS (cont'd)

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

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

Details of the options outstanding for the financial year ended 30 June 2018 are as follows:

		No. of GL shares comprised in options						
Grantees	Date of grant	As at 1 Jul 2017	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	As at 30 Jun 2018	Notes	Exercise price per GL share
Eligible employees	13 May 2013	10,000,000	–	–	8,000,000	2,000,000	1	S$0.86
Eligible employees	21 September 2015	9,500,000	–	–	9,500,000	–	2	S$0.80
Eligible employees	3 April 2018	–	37,250,000	–	–	37,250,000	3&4	S$0.741
		19,500,000	37,250,000	–	17,500,000	39,250,000		

Notes:

1. The options that were granted on 13 May 2013 will vest in 2 tranches:

   i. First tranche – up to 35% of the relevant GL shares vested upon achievement of applicable performance targets at the end of the financial year ended 30 June 2016.

   ii. Second tranche – up to 65% of the relevant GL shares will vest within 3 months after the end of the financial year ending 30 June 2019 upon achievement of applicable performance targets.

   Each tranche, once vested, is exercisable as follows:

   a. 40% of that tranche is exercisable within 6 months from vesting date;

   b. 40% of that tranche is exercisable from the commencement of the 13th month to the end of the 18th month from vesting date; and

   c. 20% of that tranche is exercisable from the commencement of the 25th month to the end of the 30th month from vesting date.

2. There is no option granted on 21 September 2015 remained outstanding as at 30 June 2018.

3. Upon the RC's decision to vest and determination of the number of GL shares under the option to be vested ("Vested Option Shares"), subject to Note 4 below, the Vested Option Shares shall be exercisable within such periods (each an "Exercise Period") as follows:

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

   b. another 40% of the Total Vested Shares is exercisable within 2 months from the first anniversary of the Vesting Date; and

   c. the remaining 20% of the Total Vested Shares is exercisable within 2 months from the second anniversary of the Vesting Date.

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

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

SHARE OPTIONS (cont'd)

GuocoLand (Malaysia) Berhad ("GLM")

Executive Share Scheme (the "GLM ESS")

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

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

The number of GLM shares over which the GLM's Board of Directors ("GLM Board") may grant options under the GLM ESOS and any other executive share option schemes shall not in aggregate exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of GLM from time to time provided that the total number of new GLM shares which may be issued upon exercise of options to be granted under the GLM ESOS shall not exceed 10% of the issued and paid-up ordinary share capital of GLM as at the Approval Date. Accordingly, the maximum number of new GLM shares available for issue over which options under the GLM ESOS may be granted is 70,045,851, which represents approximately 10% of the issued and paid-up ordinary share capital of GLM as at the date of this report.

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

The grant of an option to an Eligible Participant shall be accepted within 30 days from such date of offer (or such longer period of time as may be permitted by the GLM Board at its discretion) accompanied by a payment of RM1.00 as non-refundable consideration.

The GLM Board may at its discretion determine the exercise price for each GLM share provided that such exercise price so fixed shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of GLM shares preceding the date of offer. An option shall be exercisable during the option period which shall be determined by the GLM Board provided that such period shall not be more than 10 years from the Effective Date.

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

SHARE OPTIONS (cont'd)

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

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

Details of the options during the year ended 30 June 2018 are as follows:

		No. of GLM shares comprised in options						
Grantees	Date of grant	As at 1 Jul 2017	Granted during the year	Exercised during the year	Lapsed during the year	As at 30 Jun 2018	Notes	Exercise price per GLM share
Eligible Participants	11 December 2017	–	20,000,000	–	2,000,000	18,000,000	1&2	RM1.16
		–	20,000,000	–	2,000,000	18,000,000		

Notes:

1. The board of directors of GLM has resolved that the exercise of the options in respect of all the 20,000,000 GLM shares would be satisfied by the transfer of existing GLM shares. Such options are not subject to Chapter 17 of the Listing Rules and the disclosure of the fair value of such options is not required.

2. The closing market price of GLM share immediately before the date of grant was RM1.15 per share. The vesting of the options granted is subject to the achievement of certain performance criteria by the grantees over two performance periods concluding at the end of the financial years ending 30 June 2019 and 30 June 2021 respectively. The exercise period of the vested options will be up to the 30th month from the respective vesting dates to be determined.

SHARE OPTIONS (cont'd)

The Rank Group Plc ("Rank")

The Long Term Incentive Plan ("LTIP")

The rules of the LTIP were approved by Rank's shareholders on 22 April 2010 with amendments thereto approved on 22 April 2015. It was further approved by the shareholders of the Company pursuant to Chapter 17 of the Listing Rules on 24 November 2015 (the "Approval Date"). The LTIP is an equity-based incentive scheme pursuant to which executive directors and other senior executives (the "Eligible Participants") of Rank and its subsidiaries may be granted awards (the "Awards"), including, among others, ordinary shares of Rank ("Rank Shares"), options ("Options") and Company Share Option Plan ("CSOP") options or cash. It provides an opportunity for the Eligible Participants to participate in the equity of Rank with the aim of aligning their interests with those of Rank's shareholders through the creation of shareholder value over the long term. Pursuant to the LTIP, the exercise of the Options or CSOP options shall be satisfied through issue of new Rank Shares and/or transfer of existing Rank Shares out of treasury or otherwise. The rules of the LTIP pertaining to the grant of Options and CSOP options, the exercise of which are to be satisfied by issue of new Rank Shares, are subject to Chapter 17 of the Listing Rules.

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

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

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

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

Since the establishment of the LTIP up to 30 June 2018, no Option or CSOP option had ever been granted pursuant to the LTIP.

Others

During the year, Mr. Tang Hong Cheong held shares of certain subsidiaries of HLCM acquired under an executive option scheme maintained by a Hong Leong Group company.

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

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2018, other than the interests and short positions of the directors of the Company disclosed above, the persons who had interests or short positions in the shares and underlying shares of 5% or more in the Company's issued share capital as recorded in the register maintained by the Company under Section 336 of the SFO are as follows.

Shareholders	Capacity	Number of shares/ underlying shares	Notes	Approx. % of the issued share capital
Quek Leng Chan ("QLC")	Personal interests	1,056,325 (Long Position)	1	
	Interest of controlled corporations	249,425,792 (Long Position)		
	Total interests	250,482,117		76.12%
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	248,825,792 (Long Position)	2 & 3	75.62%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	248,825,792 (Long Position)	3 & 4	75.62%
Hong Leong Investment Holdings Pte Ltd ("HLInvt")	Interest of controlled corporations	248,825,792 (Long Position)	3 & 5	75.62%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	248,825,792 (Long Position)	3 & 6	75.62%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	248,825,792 (Long Position)	3 & 7	75.62%
Elliott Capital Advisors, L.P. ("ECA")	Interest of controlled corporations	29,635,716 (Long Position)	8	9.01%
First Eagle Investment Management, LLC ("FEIM")	Investment Manager	22,972,846 (Long Position)	9	6.98%
Credit Suisse Group AG ("CS")	Interest of controlled corporations	20,127,395 (Long Position)	10	6.12%
		20,120,000 (Short Position)		6.11%

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

Notes:

1. The interest of controlled corporation of QLC comprised 242,208,117 ordinary shares of the Company and 8,274,000 underlying shares of other unlisted cash settled derivatives, and were directly held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	236,524,930
GuoLine Capital Limited ("GCL")	5,200,000
GuoLine International Limited ("GIL")	3,074,000
Asian Financial Common Wealth (PTC) Limited ("AFCW")	4,026,862
Chaghese Limited ("CL")	600,000

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

2. The interests of HLCM comprised 240,551,792 ordinary shares of the Company and 8,274,000 underlying shares of other unlisted cash settled derivatives, and were directly held by GOL, GCL, GIL and AFCW as set out in Note 1 above.

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

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

5. HLInvt was deemed to be interested in these interests through its controlling interests of 34.69% in HLCM.

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

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

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

9. FEIM was deemed to be interested in these interests held by various management accounts and funds controlled by it. The Company was subsequently notified by FEIM that, as at 30 June 2018, FEIM was deemed to be interested in 22,922,846 shares of the Company (held by various management accounts and funds controlled by it), representing approximately 6.97% of the total issued share capital of the Company.

10. Among these interests 1,000 shares (long position) and 7,395 shares (long position) are directly held by Credit Suisse (Hong Kong) Limited and Credit Suisse International respectively and 20,119,000 shares (long position) and 20,120,000 shares (short position) are directly held by Credit Suisse Securities (Europe) Limited. All the above companies are direct/indirect wholly owned subsidiaries of CS. CS is therefore deemed to be interested in these interests.

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which should be disclosed pursuant to the Part XV of the SFO or as recorded in the register maintained by the Company under Section 336 of the SFO.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

Master Services Agreements

The following master services agreements dated 7 July 2017 were entered into by the Company (together with its subsidiaries, the "Group") with certain Hong Leong group companies for the provision by the latter of management services include, among other things, overview and/or oversight of businesses and operations, investment management and financial management disciplines, treasury and risk management, key managerial recruitment and retention as well as other operating practices and procedures, accounting, corporate advisory, legal, company secretarial and other services (the "Services"):

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

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

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

(collectively, the "Master Services Agreements").

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

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

The total fees, being the sum of the Monthly Fee, the Annual Fee and the total amount of any fees paid or payable by the Group to any Hong Leong Group company for services of a similar nature as the Services, are subject to an annual cap of HK$503 million (the "Annual Cap") for each of the three financial years ended 30 June 2020.

GGMC, GOMC and HLMC are indirect wholly-owned subsidiaries of HLCM and thus they are associates of connected persons of the Company under the Listing Rules. The Master Services Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Master Services Agreements (cont'd)

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

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

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

   – on normal commercial terms; and

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

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

	Services fees paid and payable by the Group HK$'000
GGMC Agreement	149,996
GOMC Agreement	4,832
HLMC Agreement	8,203
Total:	163,031
	(<HK$503 million)

The aggregate services fees paid and payable by the Group under the Master Services Agreements for the year amounted to approximately HK$163.0 million which did not exceed the Annual Cap of HK$503 million as disclosed in the Company's announcement dated 7 July 2017.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Banking Transactions

The Group has from time to time entered into, and may in future enter into, among others, the following transactions with the authorised financial institutions within Hong Leong Group from time to time during the year including Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, Hong Leong Bank Vietnam Limited, Hong Leong Bank (Cambodia) PLC and Hong Leong Investment Bank Berhad (collectively, "Hong Leong Financial Institutions"):

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

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

(collectively, the "Banking Transactions").

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

Hong Leong Financial Institutions are associates of connected person (as defined under the Listing Rules) of the Company by virtue of the fact that they are indirect subsidiaries of HLCM, the ultimate holding company and a deemed substantial shareholder of the Company. The Banking Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

From time to time during the year, the Group entered into deposit transactions which involved placing of deposits (including savings, current and other deposits in various currencies) with Hong Leong Financial Institutions as the deposit accepting banks (the "Deposit Transactions"). The Deposit Transactions were based on the relevant market rates at the time of each transaction and are broadly the same as those engaged by the Group with other unconnected financial institutions. The interest rate for the savings and time deposits for various currencies placed by the Group with the Hong Leong Financial Institutions ranged from 0% to 5.2% per annum. The tenor of the time deposits ranged from overnight to 6 months. As at 30 June 2018, the balance of deposits placed by the Group with Hong Leong Financial Institutions was approximately US$32.2 million.

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

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

b. during the year, the maximum aggregate outstanding balance of deposits placed by the Group with Hong Leong Financial Institutions was approximately US$51.5 million which did not exceed the cap amount of US$190 million or its equivalent as disclosed in the announcement of the Company dated 19 June 2015; and

c. the Deposit Transactions were entered into:

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

    – on normal commercial terms or better; and

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

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (cont'd)

Continuing Connected Transactions (cont'd)

Auditor's Review

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions as mentioned above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 57 to 59 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Kwek Leng Hai is a director of HLCM, the ultimate holding company of the Company, which is a conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investment as well as hospitality and leisure. Mr. Tang Hong Cheong is a director of HL Holdings Sdn Bhd, a deemed substantial shareholder of the Company by virtue of its controlling interest in HLCM.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

By Order of the Board

Tang Hong Cheong
President & CEO

Hong Kong, 3 September 2018

INDEPENDENT AUDITOR'S REPORT

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

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Guoco Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 165, which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

ASSESSING POTENTIAL IMPAIRMENT OF HOTEL PROPERTIES AND INTANGIBLE ASSETS

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

The Key Audit Matter	How the matter was addressed in our audit
The Group holds a number of hotel properties located in the United Kingdom which are measured at cost less accumulated depreciation and impairment losses. The Group also holds casino, other gaming licences and concessions in the United Kingdom, as well as a small number in Spain and Belgium, the majority of which are classified as intangible assets with indefinite useful lives. As at 30 June 2018, the carrying values of hotel properties and capitalised casino, other gaming licences and concessions totalled US$1,991 million in aggregate, representing 12% of the Group's total assets as at that date. The estimation of the recoverable amount of each cash generating unit ("CGU") to which these assets have been allocated is sensitive to the key assumptions applied, which include occupancy rates and revenue per available room in deriving the projected cash flows for hotel properties; customer visits, win margins and spend per head in deriving the projected cash flows for casino, other gaming licences and concessions, growth rates and the discount rates applied. The current economic environment in the United Kingdom may put pressure on hotel room rates and occupancy levels and customer visits and spend per head for casinos. We identified assessing potential impairment provision of hotel properties and intangible assets as a key audit matter because of the significant level of management judgement required to be exercised in determining the assumptions adopted in the impairment assessments which can be inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of hotel properties and intangible assets included the following: • evaluating the Group's identification of CGUs and the amounts of hotel properties, casino, other gaming licences and concessions allocated to each CGU; • evaluating the Group's process for identification of indicators of potential impairment of hotel properties; • assessing whether the Group's impairment assessment models were prepared in accordance with the requirements of the prevailing accounting standards; • with the assistance of our internal valuation specialists, assessing the valuation methodology adopted by the Group and comparing the key assumptions applied in the computation of recoverable amounts with available industry data, which included occupancy rates and revenue per available room for hotel properties and customer visits, win margins and spend per head for casino, other gaming licences and concessions; • assessing the growth rates and discount rates adopted in the impairment assessments by comparing them with historical rates and available industry data, taking into consideration comparability and market factors; • evaluating the historical accuracy of management's calculations of the recoverable amounts of each CGU by comparing the forecasts at the end of the previous financial year for key assumptions and estimates with the actual outcomes in the current year; and • determining the extent of change in those estimates that, either individually or collectively, would be required for each CGU to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

VALUATION OF INVESTMENT PROPERTIES

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

The Key Audit Matter	How the matter was addressed in our audit
The Group owns a portfolio of investment properties, comprising commercial properties in Hong Kong, Singapore, Malaysia and China. As at 30 June 2018, the carrying value of investment properties was US$3,569 million, representing 21% of the Group's total assets as at that date. The fair values of the Group's investment properties were assessed by management based on independent valuations conducted by external property valuers. The net changes in fair value of investment properties in the consolidated income statement represented 15% of the Group's profit before taxation for the year ended 30 June 2018. We identified valuation of investment properties as a key audit matter because the determination of the fair values involves significant judgement and estimation, particularly in selecting the appropriate valuation methodology and in determining the underlying assumptions, which increase the risk of error or potential management bias, and because the valuations are sensitive to the key assumptions applied, including those relating to capitalisation rate, comparable sales prices, the discount rates applied and terminal yield rates.	Our audit procedures to assess the valuation of investment properties included the following: • evaluating the qualifications, experience and competence of the external property valuers engaged by management and holding discussions with the external property valuers, without the presence of management, to understand their valuation methods and the assumptions applied; • evaluating the valuation methodology used by the external property valuers by comparison with the valuation methodologies applied by other valuers for similar property types; • assessing the projected cash flows used in the valuations by comparing specific details with underlying leases and externally available industry and economic data; and • assessing the key assumptions adopted in the valuations, including those relating to capitalisation rate, comparable sales prices, the discount rates applied and terminal yield rates, by comparing them with historical rates and available industry data, taking into consideration comparability and market factors, and considering the possibility of error or management bias in the selection of assumptions adopted.

VALUATION OF DEVELOPMENT PROPERTIES AND PROPERTIES HELD FOR SALE

Refer to notes 21 and 22 to the consolidated financial statements and the accounting policies in notes 2(i) and 2(j).

The Key Audit Matter	How the matter was addressed in our audit
The Group's development properties and properties held for sale mainly comprise residential properties in the course of development and completed properties in Singapore, Malaysia and China. As at 30 June 2018 the carrying values of development properties and properties held for sale totalled US$2,438 million in aggregate, representing 15% of the Group's total assets as at that date. Development properties and properties held for sale are stated at the lower of their cost and net realisable value ("NRV"). The assessment of NRV of development properties and properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast selling prices and estimated costs to complete the development of the properties. Future trends in selling prices may depart from known trends based on past experience given the current economic slowdown and prevailing government policies in the jurisdictions in which the development properties are located. Total development costs may also vary with market conditions and unforeseen circumstances may arise during construction leading to cost overruns. Therefore, there is a risk that the estimated NRV may exceed future selling prices, resulting in losses when these properties are subsequently sold. We identified valuation of development properties and properties held for sale as a key audit matter because the assessment of NRV is inherently subjective and requires significant management judgement and estimation in relation to forecasting selling prices, development costs and selling expenses, which increases the risk of error or potential management bias.	Our audit procedures to assess the valuation of development properties and properties held for sale included the following: • evaluating the Group's estimated total development costs for projects with slower-than-expected sales or low margins, by comparing the costs with contracts and related agreements, taking into consideration the costs incurred to date, construction progress and any significant deviation in design plans or cost overruns; • assessing the Group's forecast selling prices for projects with slower-than-expected sales or low margins, by comparison with recent transacted sales prices for the same project and/or comparable properties in the vicinity of the development and considering the possibility of error or management bias; and • conducting site visits to development properties on a sample basis to observe the development progress.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is David Benjamin Lewellin Rhys.

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

3 September 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 US$'000	2017 US$'000	2018 HK$'000 (Note 1(c))	2017 HK$'000 (Note 1(c))
Turnover	5	4,535,373	2,974,940	35,589,072	23,220,299
Revenue	5	3,904,736	1,788,506	30,640,463	13,959,826
Cost of sales		(2,328,808)	(891,766)	(18,274,156)	(6,960,501)
Other attributable costs		(88,080)	(55,369)	(691,164)	(432,172)
		1,487,848	841,371	11,675,143	6,567,153
Other revenue	6(a)	30,851	32,347	242,088	252,478
Other net (losses)/income	6(b)	(55,770)	486,625	(437,627)	3,798,254
Administrative and other operating expenses		(616,328)	(545,891)	(4,836,326)	(4,260,843)
Profit from operations before finance costs		846,601	814,452	6,643,278	6,357,042
Finance costs	7(a)	(106,315)	(107,529)	(834,254)	(839,296)
Profit from operations	13	740,286	706,923	5,809,024	5,517,746
Valuation surplus on investment properties	14	151,891	214,539	1,191,889	1,674,541
Share of profits of associates and joint ventures	7(c)	114,712	120,494	900,145	940,492
Profit for the year before taxation	7	1,006,889	1,041,956	7,901,058	8,132,779
Taxation	8(a)	(212,095)	(90,683)	(1,664,309)	(707,808)
Profit for the year		794,794	951,273	6,236,749	7,424,971
Attributable to:					
Equity shareholders of the Company		624,297	784,639	4,898,859	6,124,343
Non-controlling interests		170,497	166,634	1,337,890	1,300,628
Profit for the year		794,794	951,273	6,236,749	7,424,971
Earnings per share		US$	US$	HK$	HK$
Basic	12	1.92	2.41	15.07	18.84
Diluted	12	1.92	2.41	15.07	18.84

The notes on pages 75 to 165 form part of these financial statements. Details of dividends paid to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	2018 US$'000	2017 US$'000	2018 HK$'000 (Note 1(c))	2017 HK$'000 (Note 1(c))
Profit for the year	794,794	951,273	6,236,749	7,424,971
Other comprehensive income for the year (after tax and reclassification adjustments)				
Items that will not be reclassified to profit or loss:				
Actuarial gains/(losses) on defined benefit obligation	5,857	(5,894)	45,960	(46,004)
	5,857	(5,894)	45,960	(46,004)
Items that may be reclassified subsequently to profit or loss:				
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	133,128	(193,810)	1,044,655	(1,512,745)
Exchange translation reserve reclassified to profit or loss upon disposal of a subsidiary	(9,108)	–	(71,470)	–
Changes in fair value of cash flow hedge	1,933	2,085	15,168	16,274
Changes in fair value of available-for-sale financial assets	(112,766)	212,703	(884,875)	1,660,211
Transfer to profit or loss on disposal of available-for-sale financial assets	(995)	167	(7,808)	1,303
Changes in fair value on net investment hedge	(10,919)	–	(85,681)	–
Share of other comprehensive income of associates	(11,324)	11,864	(88,859)	92,602
	(10,051)	33,009	(78,870)	257,645
Other comprehensive income for the year, net of tax	(4,194)	27,115	(32,910)	211,641
Total comprehensive income for the year	790,600	978,388	6,203,839	7,636,612
Total comprehensive income for the year attributable to:				
Equity shareholders of the Company	587,653	861,770	4,611,314	6,726,374
Non-controlling interests	202,947	116,618	1,592,525	910,238
	790,600	978,388	6,203,839	7,636,612

The notes on pages 75 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	2018 US$'000	2017 US$'000	2018 HK$'000 (Note 1(c))	2017 HK$'000 (Note 1(c))
NON-CURRENT ASSETS					
Investment properties	14	3,568,977	2,349,272	28,005,763	18,336,773
Other property, plant and equipment	14	1,694,781	1,688,361	13,298,946	13,178,164
Interest in associates and joint ventures	17	1,358,479	1,217,205	10,659,985	9,500,650
Available-for-sale financial assets	19	1,795,393	1,852,794	14,088,449	14,461,613
Deferred tax assets	31	20,095	89,937	157,685	701,985
Intangible assets	15	981,821	991,260	7,704,349	7,737,082
Goodwill	20	182,607	138,196	1,432,917	1,078,661
Pensions surplus	30	11,382	586	89,315	4,574
		9,613,535	8,327,611	75,437,409	64,999,502
CURRENT ASSETS					
Development properties	21	1,691,000	2,298,724	13,269,277	17,942,230
Properties held for sale	22	746,537	481,428	5,858,076	3,757,690
Deposits for land	23	–	339,115	–	2,646,894
Trade and other receivables	24	536,911	316,776	4,213,141	2,472,532
Trading financial assets	25	1,658,769	1,482,319	13,016,360	11,569,944
Cash and short term funds	26	2,530,900	3,228,627	19,859,972	25,200,402
Assets held for sale	27	31,653	8,781	248,381	68,538
		7,195,770	8,155,770	56,465,207	63,658,230
CURRENT LIABILITIES					
Trade and other payables	28	697,666	1,370,784	5,474,585	10,699,380
Bank loans and other borrowings	29	1,481,116	2,349,189	11,622,317	18,336,125
Taxation	8(d)	47,945	83,251	376,224	649,799
Provisions and other liabilities	30	10,851	13,297	85,148	103,787
		2,237,578	3,816,521	17,558,274	29,789,091
NET CURRENT ASSETS		4,958,192	4,339,249	38,906,933	33,869,139
TOTAL ASSETS LESS CURRENT LIABILITIES		14,571,727	12,666,860	114,344,342	98,868,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Note	2018 US$'000	2017 US$'000	2018 HK$'000 (Note 1(c))	2017 HK$'000 (Note 1(c))
NON-CURRENT LIABILITIES					
Bank loans and other borrowings	29	3,317,855	2,411,453	26,035,208	18,822,113
Amount due to non-controlling interests		291,904	229,842	2,290,571	1,793,986
Provisions and other liabilities	30	52,018	39,075	408,185	304,992
Deferred tax liabilities	31	123,177	80,596	966,570	629,076
		3,784,954	2,760,966	29,700,534	21,550,167
NET ASSETS		10,786,773	9,905,894	84,643,808	77,318,474
CAPITAL AND RESERVES					
Share capital	32(c)	164,526	164,526	1,291,036	1,284,175
Reserves		8,179,860	7,769,531	64,187,361	60,643,520
Total equity attributable to equity shareholders of the Company		8,344,386	7,934,057	65,478,397	61,927,695
Non-controlling interests		2,442,387	1,971,837	19,165,411	15,390,779
TOTAL EQUITY		10,786,773	9,905,894	84,643,808	77,318,474

Approved and authorised for issue by the Board of Directors on 3 September 2018

Kwek Leng Hai
Tang Hong Cheong
Directors

The notes on pages 75 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to equity shareholders of the Company													
	Share capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contributed surplus US$'000	ESOS reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Hedging reserve US$'000	Revaluation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 July 2017	164,526	10,493	(82,963)	2,806	(41,056)	1,118	(422,987)	463,752	(4,505)	51,342	7,791,531	7,934,057	1,971,837	9,905,894
Profit for the year	–	–	–	–	–	–	–	–	–	–	624,297	624,297	170,497	794,794
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	–	–	–	–	–	–	96,071	–	–	–	–	96,071	37,057	133,128
Exchange translation reserve reclassified to profit or loss upon disposal of a subsidiary	–	–	–	–	–	–	(6,118)	–	–	–	–	(6,118)	(2,990)	(9,108)
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(112,719)	–	–	–	(112,719)	(47)	(112,766)
Transfer to profit or loss on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	(699)	–	–	–	(699)	(296)	(995)
Actuarial gains on defined benefit obligation	–	–	–	–	–	–	–	–	–	–	3,935	3,935	1,922	5,857
Changes in fair value of cash flow hedge	–	–	–	–	–	–	–	–	1,334	–	–	1,334	599	1,933
Changes in fair value on net investment hedge	–	–	–	–	–	–	–	–	(7,124)	–	–	(7,124)	(3,795)	(10,919)
Share of other comprehensive income of associates and joint ventures	–	–	7,084	–	–	–	(9,541)	(9,447)	78	–	502	(11,324)	–	(11,324)
Total comprehensive income for the year	–	–	7,084	–	–	–	80,412	(122,865)	(5,712)	–	628,734	587,653	202,947	790,600
Transfer between reserves	–	–	4,570	–	–	–	–	–	–	–	(4,570)	–	–	–
Issue of perpetual securities	–	–	–	–	–	–	–	–	–	–	–	–	291,461	291,461
Accrued distribution for perpetual securities	–	–	–	–	–	–	–	–	–	–	(5,912)	(5,912)	5,912	–
Equity-settled share-based transactions	–	–	–	–	–	(814)	–	–	–	–	–	(814)	(903)	(1,717)
Capitalisation of shareholder's loans from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	9,979	9,979
Share capital reduction in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(503)	(503)
Dividends paid to non-controlling interests by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(42,731)	(42,731)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(4,388)	(4,388)	4,388	–
Final dividend paid in respect of the prior year	–	–	–	–	–	–	–	–	–	–	(124,793)	(124,793)	–	(124,793)
Interim dividend paid in respect of the current year	–	–	–	–	–	–	–	–	–	–	(41,417)	(41,417)	–	(41,417)
At 30 June 2018	164,526	10,493	(71,309)	2,806	(41,056)	304	(342,575)	340,887	(10,217)	51,342	8,239,185	8,344,386	2,442,387	10,786,773

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to equity shareholders of the Company													
	Share capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contributed surplus US$'000	ESOS reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Hedging reserve US$'000	Revaluation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 July 2016	164,526	10,493	106,778	2,806	(41,056)	1,696	(287,245)	249,373	(5,935)	51,342	6,986,769	7,239,547	1,841,094	9,080,641
Profit for the year	–	–	–	–	–	–	–	–	–	–	784,639	784,639	166,634	951,273
Exchange translation differences relating to financial statements of foreign subsidiaries, associates and joint ventures	–	–	–	–	–	–	(145,326)	–	–	–	–	(145,326)	(48,484)	(193,810)
Changes in fair value of cash flow hedge	–	–	–	–	–	–	–	–	1,405	–	–	1,405	680	2,085
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	212,983	–	–	–	212,983	(280)	212,703
Transfer to profit or loss on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	74	–	–	–	74	93	167
Actuarial losses on defined benefit obligation	–	–	–	–	–	–	–	–	–	–	(3,869)	(3,869)	(2,025)	(5,894)
Share of other comprehensive income of associates	–	–	1,136	–	–	–	9,584	1,322	25	–	(203)	11,864	–	11,864
Total comprehensive income for the year	–	–	1,136	–	–	–	(135,742)	214,379	1,430	–	780,567	861,770	116,618	978,388
Transfer between reserves	–	–	(190,924)	–	–	–	–	–	–	–	190,924	–	–	–
Equity-settled share-based transactions	–	–	–	–	–	(578)	–	–	–	–	–	(578)	(482)	(1,060)
Capitalisation of shareholder's loans from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	27,164	27,164
Acquisition of additional interests in subsidiaries	–	–	47	–	–	–	–	–	–	–	850	897	(3,320)	(2,423)
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	36,219	36,219
Dividends paid to non-controlling interests by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(45,456)	(45,456)
Final dividend paid in respect of the prior year	–	–	–	–	–	–	–	–	–	–	(125,730)	(125,730)	–	(125,730)
Interim dividend paid in respect of the current year	–	–	–	–	–	–	–	–	–	–	(41,849)	(41,849)	–	(41,849)
At 30 June 2017	164,526	10,493	(82,963)	2,806	(41,056)	1,118	(422,987)	463,752	(4,505)	51,342	7,791,531	7,934,057	1,971,837	9,905,894

The notes on pages 75 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 US$'000	2017 US$'000
Operating activities			
Profit for the year before taxation		1,006,889	1,041,956
Adjustments for:			
– Finance costs	7(a)	106,315	107,529
– Interest income	5	(44,301)	(30,803)
– Dividend income	5	(134,362)	(84,766)
– Depreciation	7(c)	78,407	72,235
– Amortisation of intangible assets		16,199	15,352
– Share-based payment forfeiture, net	7(b)	(1,817)	(1,117)
– Impairment loss recognised on other property, plant and equipment	7(c)	15,419	8,871
– Impairment loss recognised/(reversed) on intangible assets	7(c)	7,822	(2,162)
– Impairment loss on an available-for-sale financial asset	6(b)	–	7,711
– Impairment loss recognised on properties held for sale	7(c)	–	3,485
– Valuation surplus on investment properties	14	(151,891)	(214,539)
– Share of profits of associates and joint ventures	7(c)	(114,712)	(120,494)
– Net losses on disposal of property, plant and equipment	6(b)	423	739
– Gain on disposal of assets held for sale	6(b)	(28,088)	–
– Net losses on liquidation of subsidiaries	6(b)	1,162	–
– Net gain on disposal of a subsidiary	6(b)	(353)	–
Operating profit before changes in working capital		757,112	803,997
(Increase)/decrease in trade and other receivables		(213,032)	74,665
(Increase)/decrease in trading financial assets		(184,327)	246,639
(Increase)/decrease in available-for-sale financial assets		(628)	1,032
Decrease/(increase) in development properties		92,279	(728,736)
Decrease in properties held for sale		338,955	263,017
Decrease/(increase) in deposits for land		342,586	(339,115)
Increase/(decrease) in provisions and other liabilities		5,369	(25,458)
(Decrease)/increase in trade and other payables		(690,434)	586,362
Cash generated from operations		447,880	882,403
Interest received		42,844	24,374
Dividend received from equity investments		68,205	83,264
Taxation			
– Hong Kong Profits Tax paid		(1,105)	(35,848)
– Overseas tax paid		(142,501)	(93,948)
Net cash generated from operating activities		415,323	860,245

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 US$'000	2017 US$'000
Investing activities			
Net advance to associates and joint ventures		(516)	(1)
Capital contribution to a joint venture		(1,174)	(178,134)
Purchase of property, plant and equipment		(77,843)	(148,708)
Additions in investment properties under development		(1,023,949)	(42,864)
Purchase of intangible assets		(15,306)	(18,097)
Acquisition of subsidiaries	33(a)	(21,776)	–
Acquisition of additional interests in subsidiaries		–	(2,423)
Proceeds from disposal of subsidiaries	33(b)	–	94,510
Proceeds from disposal of assets held for sale		35,194	–
Proceeds from disposal of property, plant and equipment		418	6,254
Dividends received from associates and joint ventures		29,543	57,997
Decrease/(increase) in fixed deposits with maturity over three months		454,512	(1,039,516)
Net cash used in investing activities		(620,897)	(1,270,982)
Financing activities			
Net (repayment of)/proceeds from bank loans and other borrowings		(11,968)	412,254
Increase in cash collateral		(1,453)	(9,120)
Net proceeds from issuance of perpetual securities by a subsidiary	33(c)	291,461	–
Share capital reduction in a subsidiary		(503)	–
Loans from non-controlling interests of subsidiaries		54,722	98,076
Capital contribution from non-controlling interests of subsidiaries		–	36,219
Interest paid		(160,532)	(148,596)
Dividends paid to non-controlling interests by subsidiaries		(42,731)	(45,456)
Dividends paid to equity shareholders of the Company		(166,210)	(167,579)
Net cash (used in)/generated from financing activities		(37,214)	175,798
Net decrease in cash and cash equivalents		(242,788)	(234,939)
Cash and cash equivalents at 1 July		2,179,991	2,445,659
Effect of foreign exchange rate changes		(1,880)	(30,729)
Cash and cash equivalents at 30 June	26(a)	1,935,323	2,179,991

The notes on pages 75 to 165 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2018 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

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

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

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

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

(c) Hong Kong dollar amounts

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

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

(i) Interest income

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

(ii) Dividends

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments

(i) Investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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

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

Investments in securities which do not fall into any of the above categories are classified as available-for-sale financial assets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(a)(ii) and 2(a)(i), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(k)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments (cont'd)

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

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

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

(ii) Subsidiaries and non-controlling interests

Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments (cont'd)

(ii) Subsidiaries and non-controlling interests (cont'd)

Non-controlling interests

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investments (cont'd)

(iii) Associates and joint ventures

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Derivative financial instruments and hedging activities

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

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

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(ii) Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange translation reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Goodwill

Goodwill represents the excess of:

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

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)).

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

(e) Intangible assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Other property, plant and equipment and depreciation

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

- Freehold land is not depreciated.

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

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

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

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

(iv) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Investment property

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

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

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Properties held for sale

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

(j) Development properties

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

(k) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(b)(iii)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(ii) Impairment of other assets

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

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

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Interest-bearing borrowings

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

(m) Trade and other receivables

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

(n) Trade and other payables

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

(o) Perpetual securities

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

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

(p) Cash and cash equivalents

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

(q) Income tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Income tax (cont'd)

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Income tax (cont'd)

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

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

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

    - the same taxable entity; or

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

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income (see note 2(c)(ii)).

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Employee benefits

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

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

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

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

(ii) Defined benefit retirement plan obligations

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Employee benefits (cont'd)

(iii) Share-based payments

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

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

(t) Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

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

(ii) Contingent liabilities assumed in business combinations

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

(iii) Other provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iv) Onerous contracts

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

(v) Related parties

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

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

(b) has significant influence over the group; or

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Segment reporting

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

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Investment properties (note 14)

At the end of reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted.

(b) Impairment of assets

The Group tests at least annually whether goodwill and casino licences that have indefinite useful lives have suffered any impairment. Hotel properties, casino licences and brand names with definite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations or fair value less cost to sell. There are a number of assumptions and estimates involved in the calculations.

(c) Development properties and properties held for sale (notes 21 and 22)

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(d) Income taxes (notes 8 and 31)

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

(e) Defined benefit retirement plan obligations (note 34)

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The calculation is performed annually using the projected unit credit method. The amount of the excess of the present value of each plan's liabilities over the fair value of that plan's assets is recognised in profit or loss upon notification to the Group.

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

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 26(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 43).

5. TURNOVER AND REVENUE

The Company is an investment holding and investment management company. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include principal investment, property development and investment, hospitality and leisure businesses.

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

	2018 US$'000	2017 US$'000
Revenue from sale of properties	2,338,189	367,655
Revenue from hospitality and leisure	1,292,197	1,242,101
Interest income	44,301	30,803
Dividend income	134,362	84,766
Rental income from properties	87,188	52,901
Others	8,499	10,280
Revenue	3,904,736	1,788,506
Proceeds from sale of investments in securities	630,637	1,186,434
Turnover	4,535,373	2,974,940

6. OTHER REVENUE AND NET (LOSSES)/INCOME

(a) Other revenue

	2018 US$'000	2017 US$'000
Sublease income	4,519	5,256
Bass Strait oil and gas royalty	24,224	24,569
Hotel management fee	463	201
Income from forfeiture of deposit from sale of properties	308	471
Others	1,337	1,850
	30,851	32,347

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

(b) Other net (losses)/income

	2018 US$'000	2017 US$'000
Net realised and unrealised (losses)/gains on trading financial assets	(125,960)	449,294
Net realised and unrealised gains/(losses) on derivative financial instruments	6,817	(11,208)
Net realised gains on disposal of available-for-sale financial assets	999	1,712
Net gains on foreign exchange contracts	31,213	25,476
Other exchange (losses)/gains	(1,578)	25,988
Net losses on disposal of property, plant and equipment	(423)	(739)
Net losses on liquidation of subsidiaries	(1,162)	–
Net gain on disposal of a subsidiary (note 33(b))	353	–
Impairment loss on an available-for-sale financial asset	–	(7,711)
Gain on disposal of assets held for sale (note 27)	28,088	–
Other income	5,883	3,813
	(55,770)	486,625

7. PROFIT FOR THE YEAR BEFORE TAXATION

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

(a) Finance costs

	2018 US$'000	2017 US$'000
Interest on bank loans and other borrowings	152,007	145,376
Other borrowing costs	8,860	9,256
Total borrowing costs	160,867	154,632
Less: borrowing costs capitalised into:		
– development properties	(37,478)	(32,074)
– investment properties	(17,074)	(8,665)
– other property, plant and equipment	–	(6,364)
Total borrowing costs capitalised (note)	(54,552)	(47,103)
	106,315	107,529

Note: These borrowing costs have been capitalised at rates of 1.82% to 7.25% per annum (2017: 1.37% to 4.99%).

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

(b) Staff cost

	2018 US$'000	2017 US$'000
Salaries, wages and other benefits	432,312	416,264
Contributions to defined contribution retirement plans	12,033	11,452
Expenses recognised in respect of defined benefit retirement plans	496	220
Share-based payment forfeiture, net	(1,817)	(1,117)
	443,024	426,819

(c) Other items

	2018 US$'000	2017 US$'000
Depreciation	78,407	72,235
Impairment losses recognised/(reversed)		
– other property, plant and equipment	15,419	8,871
– intangible assets	7,822	(2,162)
– properties held for sale	–	3,485
Amortisation		
– casino licences and brand names	1,629	1,482
– Bass Strait oil and gas royalty	3,326	3,239
– other intangible assets	11,244	10,631
Operating lease charges		
– properties	67,875	60,562
– others	1,293	6,000
Auditors' remuneration		
– audit services	2,234	1,927
– tax services	58	185
– other services	116	345
Donations	1,141	876
Gross rental income from investment properties (note 5)	(87,188)	(52,901)
Less: direct outgoings	22,876	14,537
Net rental income	(64,312)	(38,364)
Share of (profits)/losses of associates and joint ventures:		
– associates	(121,336)	(120,640)
– joint ventures	6,624	146
	(114,712)	(120,494)

8. TAX EXPENSES

(a) Taxation in the consolidated income statement represents:

	2018 US$'000	2017 US$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	499	327
Under/(over)-provision in respect of prior years	973	(3)
	1,472	324
Current tax – Overseas		
Provision for the year	106,860	102,412
Over-provision in respect of prior years	(60)	(3,941)
	106,800	98,471
Deferred tax		
Origination and reversal of temporary differences	103,949	(5,687)
Effect of changes in tax rate on deferred tax balances	(126)	(2,425)
	103,823	(8,112)
	212,095	90,683

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year ended 30 June 2018. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2018 US$'000	2017 US$'000
Profit for the year before tax	1,006,889	1,041,956
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	184,992	193,116
Tax effect of non-deductible expenses	91,230	34,062
Tax effect of non-taxable revenue	(72,758)	(135,304)
Tax effect of unused tax losses not recognised	7,385	6,481
Tax effect of utilisation of tax losses not previously recognised	(2,932)	(4,258)
Reversal of temporary differences not accounted for in prior years	2,956	423
Tax effect of changes in tax rate on deferred tax balances	(126)	(2,425)
Under/(over)-provision in respect of prior years	913	(3,944)
Others	435	2,532
Taxation	212,095	90,683

8. TAX EXPENSES (cont'd)

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

The net tax effects relating to the components of other comprehensive income were insignificant for disclosure purposes for the years ended 30 June 2018 and 2017.

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

	2018 US$'000	2017 US$'000
Hong Kong Profits Tax	671	307
Overseas taxation	47,274	82,944
Taxation payable	47,945	83,251
Amount of taxation payable expected to be settled after more than 1 year	–	–

9. DIRECTORS' EMOLUMENTS

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid and payable to each Director of the Company are as below:

Name	Fees US$'000	Salaries, allowances and benefits in kind[(1)] US$'000	Discretionary bonuses US$'000	Pension contributions US$'000	Total emoluments US$'000
2018					
Kwek Leng Hai	– (4)	1,581	4,343	122	6,046
Tang Hong Cheong	– (4)	1,266	2,069	90	3,425
Kwek Leng San *	– (4)	–	–	–	–
Tan Lim Heng *	41	–	–	–	41
Volker Stoeckel **	59	–	–	–	59
Roderic N. A. Sage **	61	–	–	–	61
David Michael Norman **	52	–	–	–	52
	213	2,847	6,412	212	9,684
2017					
Quek Leng Chan * (2)	– (4)	–	–	–	–
Kwek Leng Hai	– (4)	1,582	3,365	137	5,084
Tang Hong Cheong (3)	– (4)	911	–	61	972
Kwek Leng San *	– (4)	–	–	–	–
Tan Lim Heng *	41	–	–	–	41
Volker Stoeckel **	59	–	–	–	59
Roderic N. A. Sage **	62	–	–	–	62
David Michael Norman **	53	–	–	–	53
	215	2,493	3,365	198	6,271

9. DIRECTORS' EMOLUMENTS (cont'd)

Notes:

* Non-executive director

** Independent non-executive director

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

(2) Relinquished his position with effect from 1 September 2016

(3) Appointed as Director and President & Chief Executive Officer with effect from 1 September 2016

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

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, two (2017: one) are directors of the Company whose emoluments are disclosed in note 9. The emoluments of the other three (2017: four) individuals are as follows:

	2018 US$'000	2017 US$'000
Salaries, allowances and benefits in kind	2,157	3,015
Discretionary bonuses	3,762	3,587
Share-based payment expenses	744	–
Pension contributions	56	72
	6,719	6,674

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

US$	2018 Number of individuals	2017 Number of individuals
1,100,001 – 1,150,000	–	1
1,150,001 – 1,200,000	–	1
1,200,001 – 1,250,000	1	–
1,400,001 – 1,450,000	–	1
1,800,001 – 1,850,000	1	–
2,500,001 – 3,000,000	–	1
3,650,001 – 3,700,000	1	–
	3	4

11. DIVIDENDS

	2018 US$'000	2017 US$'000
Dividends payable/paid in respect of the current year:		
– Interim dividend of HK$1.00 (2017: HK$1.00) per ordinary share	41,417	41,849
– Proposed final dividend of nil (2017: HK$3.00) per ordinary share	–	126,472
	41,417	168,321
Dividends paid in respect of the prior year:		
– Final dividend of HK$3.00 (2017: HK$3.00) per ordinary share	124,793	125,730

The directors do not recommend the payment of a final dividend in respect of the year ended 30 June 2018. The final dividend for the year ended 30 June 2017 of US$126,472,000 was calculated based on 329,051,373 ordinary shares in issue as at 30 June 2017.

12. 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 US$624,297,000 (2017: US$784,639,000) and the weighted average number of 325,024,511 (2017: 325,024,511) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share equalled the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 30 June 2018 and 2017.

13. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's senior executive management, the Group has 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:

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
Oil and gas:	This segment receives royalty income from the entitlement of Bass Strait's oil and gas production in Australia.	Subsidiary

The accounting policies of the operating segments are the same as those described in the significant accounting policies in note 2. Performance is evaluated on the basis of profit or loss from operations before taxation. Inter-segment pricing is determined on an arm's length basis. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from the financial year 2016/17.

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

13. SEGMENT REPORTING (cont'd)

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

Segment revenue and profit or loss

	Principal investment US$'000	Property development and investment US$'000	Hospitality and leisure US$'000	Financial services US$'000	Oil and gas US$'000	Total US$'000
For the year ended 30 June 2018						
Turnover	783,049	2,458,861	1,293,463	–	–	4,535,373
Revenue from external customers	152,412	2,458,861	1,293,463	–	–	3,904,736
Inter-segment revenue	192	261	–	–	–	453
Reportable segment revenue	152,604	2,459,122	1,293,463	–	–	3,905,189
Operating profit	41,703	648,538	136,692	–	19,668	846,601
Finance costs	(19,751)	(61,653)	(24,911)	–	–	(106,315)
Valuation surplus on investment properties	–	151,891	–	–	–	151,891
Share of (losses)/profits of associates and joint ventures	–	(4,331)	–	119,043	–	114,712
Profit before taxation	21,952	734,445	111,781	119,043	19,668	1,006,889
For the year ended 30 June 2017						
Turnover	1,281,838	447,808	1,245,294	–	–	2,974,940
Revenue from external customers	95,404	447,808	1,245,294	–	–	1,788,506
Inter-segment revenue	1,648	228	–	–	–	1,876
Reportable segment revenue	97,052	448,036	1,245,294	–	–	1,790,382
Operating profit	522,701	110,809	161,670	–	20,727	815,907
Finance costs	(38,249)	(51,066)	(19,669)	–	–	(108,984)
Valuation surplus on investment properties	–	214,539	–	–	–	214,539
Share of profits of associates and joint ventures	–	31,699	–	88,795	–	120,494
Profit before taxation	484,452	305,981	142,001	88,795	20,727	1,041,956

13. SEGMENT REPORTING (cont'd)

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

Segment assets and liabilities

	Principal investment US$'000	Property development and investment US$'000	Hospitality and leisure US$'000	Financial services US$'000	Oil and gas US$'000	Total US$'000
At 30 June 2018						
Reportable segment assets	4,475,311	7,779,500	3,126,119	–	69,896	15,450,826
Interest in associates and joint ventures	–	265,122	–	1,093,357	–	1,358,479
Total assets	4,475,311	8,044,622	3,126,119	1,093,357	69,896	16,809,305
Reportable segment liabilities	950,801	4,044,645	1,027,086	–	–	6,022,532
At 30 June 2017						
Reportable segment assets	5,123,082	7,015,932	3,051,242	–	75,920	15,266,176
Interest in associates and joint ventures	–	261,363	–	955,842	–	1,217,205
Total assets	5,123,082	7,277,295	3,051,242	955,842	75,920	16,483,381
Reportable segment liabilities	1,301,242	4,246,320	1,029,925	–	–	6,577,487

Other information

	Principal investment US$'000	Property development and investment US$'000	Hospitality and leisure US$'000	Financial services US$'000	Oil and gas US$'000	Total US$'000
2018						
Interest income	17,934	25,101	1,266	–	–	44,301
Depreciation and amortisation	181	1,837	89,262	–	3,326	94,606
Additions to non-current segment assets	280	1,041,810	76,776	–	–	1,118,866
2017						
Interest income	14,262	17,067	929	–	–	32,258
Depreciation and amortisation	146	3,302	80,900	–	3,239	87,587
Additions to non-current segment assets	199	72,973	148,253	–	–	221,425

Major customers

During the years ended 30 June 2018 and 2017, there is no major customer accounting for more than 10% of the total revenue of the Group.

13. SEGMENT REPORTING (cont'd)

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

Revenue

	2018 US$'000	2017 US$'000
Reportable segment revenue	3,905,189	1,790,382
Elimination of inter-segment revenue	(453)	(1,876)
Consolidated revenue (note 5)	3,904,736	1,788,506

Finance costs

	2018 US$'000	2017 US$'000
Reportable finance costs	106,315	108,984
Elimination of inter-segment finance costs	–	(1,455)
Consolidated finance costs (note 7(a))	106,315	107,529

Interest income

	2018 US$'000	2017 US$'000
Reportable interest income	44,301	32,258
Elimination of inter-segment interest income	–	(1,455)
Consolidated interest income (note 5)	44,301	30,803

(c) Geographical information

The following table illustrates the geographical location of the Group's revenue from external customers, profit 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.

13. SEGMENT REPORTING (cont'd)

(c) Geographical information (cont'd)

	Revenue from external customers		Profit from operations	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
The People's Republic of China				
– Hong Kong	156,167	98,844	15,358	464,528
– Mainland China	1,182,863	26,963	405,729	4,607
United Kingdom and Continental Europe	1,248,833	1,216,037	128,342	145,297
Singapore	1,237,969	372,078	(Note) 175,797	49,196
Australasia and others	78,904	74,584	15,060	43,295
	3,904,736	1,788,506	740,286	706,923

	Total assets		Specified non-current assets	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
The People's Republic of China				
– Hong Kong	4,810,350	5,406,891	176,795	131,889
– Mainland China	1,909,893	2,111,631	150,565	143,864
United Kingdom and Continental Europe	2,628,009	2,547,324	2,355,365	2,283,813
Singapore	5,290,105	4,382,981	3,585,275	2,452,797
Australasia and others	2,170,948	2,034,554	1,518,665	1,371,931
	16,809,305	16,483,381	7,786,665	6,384,294

Note:

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

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

Accordingly, operating profits of GuocoLand for the year amounting to US$5.8 million (2017: US$56.1 million) in Singapore have been deferred for recognition in the Group's consolidated financial statements. The Group has recognised operating profits of GuocoLand of US$78.9 million for the year (2017: nil) which have been deferred in previous years. Up to 30 June 2018, accumulated operating profits of GuocoLand totalling US$5.8 million (2017: US$76.0 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.

14. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

	Investment properties US$'000	Interests in leasehold land and buildings US$'000	Freehold land and buildings US$'000	Furniture fixtures and equipment US$'000	Other property, plant and equipment US$'000	Total US$'000
Cost or valuation						
At 1 July 2016	2,109,617	1,150,018	465,614	1,125,794	2,741,426	4,851,043
Additions	66,353	52,421	45,683	56,968	155,072	221,425
Transfer to assets held for sale (note 27)	–	(9,099)	–	(11,197)	(20,296)	(20,296)
Disposals and written off	–	(16,390)	(1,467)	(179,760)	(197,617)	(197,617)
Fair value adjustments	214,539	–	–	–	–	214,539
Exchange adjustments	(41,237)	(37,546)	(16,144)	(35,786)	(89,476)	(130,713)
At 30 June 2017	2,349,272	1,139,404	493,686	956,019	2,589,109	4,938,381
Representing:						
Cost	–	1,139,404	493,686	956,019	2,589,109	2,589,109
Valuation – 2017	2,349,272	–	–	–	–	2,349,272
	2,349,272	1,139,404	493,686	956,019	2,589,109	4,938,381
At 1 July 2017	2,349,272	1,139,404	493,686	956,019	2,589,109	4,938,381
Acquisition of subsidiaries (note 33(a))	–	–	–	45	45	45
Additions	1,041,023	1,955	33,347	42,541	77,843	1,118,866
Reversal	–	(7,442)	–	–	(7,442)	(7,442)
Disposals and written off	–	(553)	–	(13,863)	(14,416)	(14,416)
Disposal of a subsidiary (note 33(b))	–	–	–	(88)	(88)	(88)
Fair value adjustments	151,891	–	–	–	–	151,891
Exchange adjustments	26,791	16,959	11,110	14,218	42,287	69,078
At 30 June 2018	3,568,977	1,150,323	538,143	998,872	2,687,338	6,256,315
Representing:						
Cost	–	1,150,323	538,143	998,872	2,687,338	2,687,338
Valuation – 2018	3,568,977	–	–	–	–	3,568,977
	3,568,977	1,150,323	538,143	998,872	2,687,338	6,256,315

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

	Investment properties US$'000	Interests in leasehold land and buildings US$'000	Freehold land and buildings US$'000	Furniture fixtures and equipment US$'000	Other property, plant and equipment US$'000	Total US$'000
Accumulated depreciation and impairment loss						
At 1 July 2016	–	184,044	49,362	820,498	1,053,904	1,053,904
Charge for the year	–	14,394	2,462	55,379	72,235	72,235
Written back on disposals and written off	–	(14,969)	(1,443)	(174,212)	(190,624)	(190,624)
Transfer to assets held for sale (note 27)	–	(1,760)	–	(9,755)	(11,515)	(11,515)
Impairment loss recognised	–	751	–	8,120	8,871	8,871
Exchange adjustments	–	(6,269)	(1,605)	(24,249)	(32,123)	(32,123)
At 30 June 2017	–	176,191	48,776	675,781	900,748	900,748
At 1 July 2017	–	176,191	48,776	675,781	900,748	900,748
Charge for the year	–	18,048	4,855	55,504	78,407	78,407
Written back on disposals and written off	–	(133)	–	(13,442)	(13,575)	(13,575)
Written back through disposal of a subsidiary (note 33(b))	–	–	–	(87)	(87)	(87)
Impairment loss recognised	–	4,062	–	11,357	15,419	15,419
Exchange adjustments	–	2,356	772	8,517	11,645	11,645
At 30 June 2018	–	200,524	54,403	737,630	992,557	992,557
Carrying amount						
At 30 June 2018	3,568,977	949,799	483,740	261,242	1,694,781	5,263,758
At 30 June 2017	2,349,272	963,213	444,910	280,238	1,688,361	4,037,633

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

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

	2018 US$'000	2017 US$'000
In Hong Kong:		
– Leasehold with between 10 to 50 years unexpired	176,501	131,603
– Leasehold with less than 10 years unexpired	3	14
Outside Hong Kong:		
– Freehold	982,590	908,553
– Leasehold with over 50 years unexpired	3,657,036	2,531,317
– Leasehold with between 10 to 50 years unexpired	159,286	163,778
– Leasehold with less than 10 years unexpired	27,100	22,130
	5,002,516	3,757,395

(b) Certain of the Group's properties with an aggregate carrying amount of US$3,438.4 million (2017: US$2,288.1 million) were pledged for bank loans and mortgage debenture stock.

(c) Investment properties comprise:

	2018 US$'000	2017 US$'000
Completed investment properties	2,514,423	2,349,272
Investment properties under development	1,054,554	–
	3,568,977	2,349,272

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 5 years. The gross carrying amount of investment properties of the Group held for use in operating leases was US$2,514.4 million (2017: US$2,349.3 million).

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

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

(f) Fair value measurement of properties

(i) Fair value hierarchy

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

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

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

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

	2018				2017			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Recurring fair value measurement								
Investment properties	–	176,501	3,392,476	3,568,977	–	131,603	2,217,669	2,349,272

During the year ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 30 June 2018. The valuations were carried out by external independent property valuers, CHFT Advisory and Appraisal Limited, CBRE, Rahim & Co and Savills, which have appropriate recognised professional qualifications and recent experience in the locations and categories of property being valued. The valuers have considered valuation techniques including the direct comparison method, income capitalisation method and residual land method in determining the open market values. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. Management has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

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

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

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

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

(iii) Information about Level 3 fair value measurements

Type of investment properties	Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Commercial properties	– Direct comparison method	– Sales prices of US$299 to US$2,605 (2017: US$292 to US$2,560) per square feet ("psf")	The estimated fair value increases when the sales price increases
	– Income capitalisation method	– Capitalisation rate of 3.5% to 6.3% (2017: 3.5% to 6.3%)	The estimated fair value increases when the capitalisation rate decreases
Reversionary interest in freehold land and commercial properties	– Direct comparison method	– Sales prices of US$104 to US$459 (2017: US$82 to US$406) psf	The estimated fair value increases when the sales price and gross development value increase
	– Residual land method	– Gross development value of US$2,018 (2017: US$1,888) psf	
Commercial properties under development	– Residual land method	– Gross development value of US$1,219 to US$1,863 psf (2017: not applicable)	The estimated fair value increases when the gross development value increases

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

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

(iii) Information about Level 3 fair value measurements (cont'd)

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

	2018 US$'000	2017 US$'000
Investment properties:		
At 1 July	2,217,669	2,009,258
Additions	1,040,947	66,342
Fair value adjustments	106,244	182,556
Exchange adjustments	27,616	(40,487)
At 30 June	3,392,476	2,217,669

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

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

15. INTANGIBLE ASSETS

	Casino licences and brand names US$'000	Bass Strait oil and gas royalty US$'000	Others US$'000	Total US$'000
Cost				
At 1 July 2016	950,802	140,843	84,741	1,176,386
Additions	–	–	18,097	18,097
Disposals	–	–	(30,865)	(30,865)
Exchange adjustments	(31,421)	4,505	(3,336)	(30,252)
At 30 June 2017	919,381	145,348	68,637	1,133,366
At 1 July 2017	919,381	145,348	68,637	1,133,366
Additions through acquisition of subsidiaries (note 33(a))	–	–	19,652	19,652
Additions	–	–	15,306	15,306
Transfer to assets held for sale (note 27)	(39,714)	–	–	(39,714)
Disposals	–	–	(4,162)	(4,162)
Exchange adjustments	13,876	(5,451)	325	8,750
At 30 June 2018	893,543	139,897	99,758	1,133,198
Accumulated amortisation and impairment loss				
At 1 July 2016	46,404	64,077	48,702	159,183
Charge for the year	1,482	3,239	10,631	15,352
Impairment loss (reversed)/recognised	(2,231)	–	69	(2,162)
Disposals	–	–	(30,856)	(30,856)
Exchange adjustments	710	2,111	(2,232)	589
At 30 June 2017	46,365	69,427	26,314	142,106
At 1 July 2017	46,365	69,427	26,314	142,106
Charge for the year	1,629	3,326	11,244	16,199
Transfer to assets held for sale (note 27)	(8,061)	–	–	(8,061)
Impairment loss recognised	7,574	–	248	7,822
Disposals	–	–	(4,162)	(4,162)
Exchange adjustments	712	(2,753)	(486)	(2,527)
At 30 June 2018	48,219	70,000	33,158	151,377
Net book value				
At 30 June 2018	845,324	69,897	66,600	981,821
At 30 June 2017	873,016	75,921	42,323	991,260

15. INTANGIBLE ASSETS (cont'd)

The Bass Strait oil and gas royalty represents the Group's interest in the Bass Strait's oil and gas production in Australia held by GL Limited ("GL"). It is stated at cost less accumulated amortisation and impairment losses. The cost is amortised on a straight-line basis so that the amortisation charge for the year is included in administrative and other operating expenses in the consolidated income statement so as to write off the cost over its estimated useful life of 30 years to 2040.

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

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

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

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

	Casino licences and brand names of Rank		Bass Strait oil and gas royalty of GL	
	2018	2017	2018	2017
Long term growth rate	2%	2%	2%	2%
Discount rate	11%-14%	11%-12%	10%	10%

For casino licences and brand names of Rank, the key assumptions in the calculation of value in use are customer visits, win margins, spend per visit, casino duty, machine games duty, bingo duty and the discount rate. For Bass Strait oil and gas royalty, the key assumptions in the calculation of value in use are oil and gas production, oil and gas price, exchange rate and general inflation. The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

During the year ended 30 June 2018, the Group recognised impairment losses of US$7,574,000 in relation to the hospitality and leisure segment on the casino brand name of GL following the cessation of its casino operations, and also reflecting the performance at certain venues (most notably admissions) of Rank not been in line with expectations and not expected to significantly improve in the future.

During the year ended 30 June 2017, the Group reversed previous impairment losses of US$2,231,000 in relation to the hospitality and leisure segment reflecting increased performance at a venue attributed to improvements in the commercial environment.

16. INTEREST IN SUBSIDIARIES

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Asia Fountain Investment Company Limited	2 shares (HK$20)	–	100	Investment trading
BIL (Far East Holdings) Limited	635,855,324 shares (HK$1,941,730,353)	–	68	Investment holding
GLL EWI (HK) Limited	10 shares (HK$10)	–	65	Investment holding
GuocoEquity Assets Limited	23,000,000 shares (HK$23,000,000)	100	100	Investment holding
GuoSon Assets China Limited	1 share (HK$1)	–	65	Investment holding
GuoSon Changfeng China Limited	1 share (HK$1)	–	65	Investment holding
Guoco Management Company Limited	2,000,000,000 shares (HK$2,000,000,000)	100	100	Provision of general management services
Guoco Investments (China) Limited	10,000,000 shares (HK$10,000,000)	100	100	Investment holding

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
GGL Asset Management (Singapore) Pte Ltd	2,000,000 shares (S$2,000,000)	–	85	Alternative asset management
GL Management Pte Ltd	2 shares (S$2)	–	68	Management company
GLL Chengdu Pte Ltd	199,463,076 shares (S$199,463,076)	–	65	Investment holding
GLL IHT Pte Ltd	10,000,000 shares (S$10,083,000)	–	65	Provision of financial and treasury services
GLL Land Pte Ltd	70,000,000 shares (S$70,000,000)	–	65	Holding properties for rental
GLL Prosper Pte Ltd	184,000,000 shares (S$184,000,000)	–	65	Investment holding
GLL Thrive Pte Ltd	32,000,000 shares (S$32,000,000)	–	65	Property development

16. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
GLL (Malaysia) Pte Ltd	58,000,000 shares (S$58,000,000)	–	65	Investment holding
Goodwood Residence Development Pte Ltd	10,000 shares (S$10,000)	–	65	Property development
Guoco Assets Pte Ltd	2 shares (S$2)	100	100	Investment holding
GuocoLand Limited	1,183,373,276 shares (S$1,926,053,000)	–	65	Investment holding
GuocoLand Assets Pte Ltd	20,000,000 shares (S$20,000,000)	100	100	Investment holding
GuocoLand Hotels Pte Ltd	92,000,000 shares (S$92,000,000)	–	65	Investment holding
GuocoLand Property Management Pte Ltd	60,000,000 shares (S$60,000,000)	–	65	Property management, marketing and maintenance services
GuocoLand (Singapore) Pte Ltd	195,000,000 shares (S$195,000,000)	–	65	Investment holding
GuocoLand Vietnam (S) Pte Ltd	1 share (S$1)	–	65	Investment holding
Leedon Residence Development Pte Ltd	158,000,000 shares (S$158,000,000)	–	65	Property development
Martin Modern Pte Ltd	162,000,000 shares (S$162,000,000)	–	65	Property development
Sims Urban Oasis Pte Ltd	64,560,000 shares (S$64,560,000)	–	65	Property development
TPC Commercial Pte Ltd	237,000,000 shares (S$237,000,000)	–	52	Investment holding
TPC Hotel Pte Ltd	78,000,000 shares (S$78,000,000)	–	52	Investment holding
Wallich Residence Pte Ltd	30,000,000 shares (S$30,000,000)	–	52	Property development

16. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Damansara City Sdn. Bhd.	20,100,000 shares of (RM20,100,000)	–	44	Property development and property investment
DC Hotel Sdn. Bhd.	2,500,002 shares of (RM2,500,002)	–	44	Hotel operations
DC Offices Sdn. Bhd.	2,500,002 shares of (RM2,500,002)	–	44	Property investment
DC Parking Sdn. Bhd.	2,500,002 shares of (RM2,500,002)	–	44	Car park operations and property investment
DC Town Square Sdn. Bhd.	2,500,002 shares of (RM2,500,002)	–	44	Property investment
GLM Emerald Hills (Cheras) Sdn. Bhd. (formerly known as GLM Alam Damai Sdn. Bhd.)	2,500,000 shares of (RM2,500,000)	–	44	Property investment and property development
GLM Emerald Industrial Park (Jasin) Sdn. Bhd. (formerly known as Continental Estates Sdn. Bhd.)	50,600,000 shares of (RM50,600,000)	–	30	Property development and operation of an oil palm estate
GLM Emerald Square (Cheras) Sdn. Bhd. (formerly known as Tujuan Optima Sdn. Bhd.)	2 shares of (RM2)	–	44	Property development
GLM Oval Sdn. Bhd.	3,000,000 shares of (RM3,000,000)	–	44	Property investment and trading
Guoco Assets Sdn. Bhd.	250,000 Class A ordinary shares (RM250,000) 300,000 Class B ordinary shares (RM300,000) 5,815 preference shares (RM581,500,000)	45	100	Investment holding
GuocoLand (Malaysia) Berhad	700,458,518 shares of (RM350,229,259)	–	44	Investment holding and provision of management services
JB Parade Sdn. Bhd.	40,000,000 shares of (RM40,000,000)	–	46	Investment holding and hotel operations
PD Resort Sdn. Bhd.	100,016,800 shares of (RM100,016,800)	–	65	Property investment and development and hotel operations
Titan Debut Sdn. Bhd.	3,000,000 shares of (RM3,000,000)	–	44	Acquire, enhance and resale of properties

16. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Clermont Leisure (UK) Limited	55,000,000 shares of GBP1 each	–	68	Gaming
Grosvenor Casinos Limited	39,000,000 shares of GBP1 each	–	52	Casinos
Grosvenor Casinos (GC) Limited	10,000 shares of GBP0.01 each	–	52	Casinos
GLH Hotel Holdings Limited	2 shares of GBP1 each	–	68	Investment holding
GLH Hotels Limited	310,545,212 shares of GBP0.26 each	–	68	Ownership and operation of hotels in UK
Mecca Bingo Limited	950,000 shares of GBP1 each and 50,000 "A" shares of GBP1 each	–	52	Social and bingo clubs
Rank Casino Holdings Limited (formerly known as Rank Gaming Group Limited)	100 shares of GBP1 each	–	52	Intermediary holding company
Rank Digital Limited	100,000 "A" shares of GBP1 each and 500,000 "B" shares of GBP1 each	–	52	Support services to interactive gaming
Rank Group Finance Plc	200,000,000 shares of GBP1 each	–	52	Funding operations
Rank Group Gaming Division Limited	944,469 shares of GBP1 each and 55,531 "A" shares of GBP1 each	–	52	Intermediary holding and provision of shared services
Rank Leisure Limited	1 share of GBP1 each	–	52	Adult gaming centres in Mecca Bingo and Grosvenor Casinos
Rank Leisure Holdings Limited	1,000,000 shares of GBP1 each and 1,799 preferred shares of US$1 each	–	52	Intermediary holding and corporate activities
Rank Nemo (Twenty-Five) Limited	1 share of GBP1 each	–	52	Intermediary holding company
Rank Overseas Holdings Limited	1,000,000 shares of GBP1 each	–	52	Intermediary holding company
The Gaming Group Limited	1 share of GBP1 each	–	52	Casinos
The Rank Group Plc	390,683,521 shares of GBp13 8/9 each	–	52	Investment holding of gaming business
Upperline Marketing Limited	100 shares of GBP1 each	–	52	Support services to interactive gaming

16. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Asian Financial Common Wealth (PTC) Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	–	100	Provision of trustee service
Beijing Jiang Sheng Property Development Co., Ltd (Note (i) & (vii))	The People's Republic of China	RMB250,000,000 (Note (ii))	–	65	Property development
BIL Australia Pty Limited	Australia	1 share of A$1 each	–	68	Investment holding
BIL NZ Treasury Limited	New Zealand	200,100 shares of NZ$1,000 each	–	68	Investment holding
BingoSoft Plc	Malta	17,500 shares of EUR0.01 each	–	52	Interactive gaming
Chongqing Yuzhong Xinhaojun Real Estate Development Co., Ltd (Note (i) & (vii))	The People's Republic of China	RMB3,786,000,000 (Note (ii))	–	49	Property development
Clermont Leisure International Limited	Jersey	2 shares of GBP1 each	–	68	Investment holding
Dynamic Talent Limited	Cayman Islands	1 share of US$1 each	100	100	Financing activities
Fresco Resources Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	100	100	Financing activities
GGAM Holdings Limited	Cayman Islands	1 share of HK$1 each	100	100	Investment holding
GL Limited	Bermuda	1,368,063,633 shares of US$0.2 each	–	68	Hotel and property management
Great Insight Limited (Note (iii))	Cayman Islands	1 share of US$1 each	100	100	Financing activities
Guoco Securities (Bermuda) Limited	Bermuda	120,000 shares of US$0.1 each	100	100	Investment holding
GuocoLand Binh Duong Property Co., Ltd	Vietnam	VND288,245,178,769 (Note (ii))	–	65	Property development
GuocoLand (China) Limited	Bermuda	20,000,000 shares of US$1 each	–	65	Investment holding
GuocoLeisure Assets Limited	Cayman Islands	1 share of US$1 each	100	100	Investment holding
GLH Hotels Group Limited (Note (v))	Bermuda	1 share of US$1 each	–	68	Investment holding
GuoSon Investment Company Limited (Note (i) & (vi))	The People's Republic of China	US$392,000,000 (Note (ii))	–	65	Investment holding

16. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Ma Sing Investments Limited (Note (iv))	British Virgin Islands	1 share of US$1 each	–	68	Investment holding
Mindful Media Limited	Channel Islands	1 share of GBP1 each	–	52	Support services to interactive gaming
Molokai Properties Limited	United States of America	100 shares of US$2 each	–	68	Investment holding
Oceanease Limited	Cayman Islands	1 share of US$1 each	–	100	Investment trading
QSB Gaming Limited	Channel Islands	4,234 share of GBP1 each	–	100	Intermediary holding company
Rank Assets Limited	Cayman Islands	1 share of US$1 each	100	100	Investment holding
Rank Digital Gaming (Alderney) Limited	Alderney	1 share of GBP1 each	–	52	Interactive gaming
Rank Digital Services (Gibraltar) Limited	Gibraltar	1,000 shares of GBP1 each	–	52	Support services to interactive gaming
Rank Holding España SA	Spain	150,000 shares of EUR26.02 each	–	52	Intermediary holding company
Rank Digital España SA	Spain	1,500 shares of EUR1 each	–	52	Interactive gaming
Shanghai Xinhaolong Property Development Co., Ltd (Note (i) & (vi))	The People's Republic of China	US$126,000,000 (Note (ii))	–	65	Property development

16. INTEREST IN SUBSIDIARIES (cont'd)

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Shanghai Xinhaojia Property Development Co., Ltd (Note (i) & (vi))	The People's Republic of China	RMB3,150,000,000 (Note (ii))	–	83	Property development
Supreme Goal Investments Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	100	100	Property investment
Tabua Investments Limited	Fiji	2 shares of FJ$1 each	–	68	Investment holding

Notes:

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

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

(iii) These companies are operating in Hong Kong.

(iv) These companies are operating in Australia.

(v) These companies are operating in the United Kingdom.

(vi) These companies are foreign capital enterprise.

(vii) This company is a sino-foreign equity joint venture enterprise.

16. INTEREST IN SUBSIDIARIES (cont'd)

(f) Material non-controlling interests

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

	GuocoLand		GL		Rank		Immaterial		Total	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
NCI percentage at the end of the reporting period	35%	35%	32%	32%	48%	48%				
Non-current assets	4,516,239	3,185,704	1,096,653	1,103,735	1,316,771	1,257,908				
Current assets	3,174,807	3,247,175	380,458	329,914	117,810	148,092				
Non-current liabilities	(2,865,329)	(1,901,764)	(280,731)	(274,190)	(88,946)	(136,219)				
Current liabilities	(1,424,756)	(1,809,946)	(74,840)	(90,585)	(337,517)	(283,164)				
Net assets	3,400,961	2,721,169	1,121,540	1,068,874	1,008,118	986,617				
Carrying amount of NCI	1,611,446	1,169,062	360,740	342,800	470,136	460,009	65	(34)	2,442,387	1,971,837
Revenue	1,347,625	461,226	318,592	322,803	932,915	898,298				
Profit for the year	344,999	209,660	59,049	49,000	48,444	79,924				
Total comprehensive income	291,433	253,614	74,130	19,372	49,675	82,146				
Profit allocated to NCI	128,327	112,475	19,057	15,857	23,236	38,336	(123)	(34)	170,497	166,634
Dividend paid to NCI	18,487	23,147	5,860	6,286	18,384	16,023	–	–	42,731	45,456
Net cash (used in)/generated from:										
– operating activities	172,289	(409,906)	67,732	69,884	115,339	125,184				
– investing activities	(1,068,662)	(153,554)	1,640	(11,154)	(72,299)	(54,269)				
– financing activities	715,926	333,713	(34,551)	(33,186)	(81,830)	(47,328)				
Net (decrease)/increase in cash and cash equivalents	(180,447)	(229,747)	34,821	25,544	(38,790)	23,587				

17. INTEREST IN ASSOCIATES AND JOINT VENTURES

	2018 US$'000	2017 US$'000
Share of net assets of associates	1,174,301	1,032,654
Goodwill	14,558	14,433
Amounts due from associates	95	–
	1,188,954	1,047,087
Less: Impairment loss	(37,462)	(37,462)
Interest in associates	1,151,492	1,009,625
Share of net assets of joint ventures	206,565	207,580
Amounts due from joint ventures	422	–
Interest in joint ventures	206,987	207,580
	1,358,479	1,217,205

The market values of the listed investments in associates and joint venture at 30 June 2018 were US$1,312.6 million (2017: US$1,155.9 million) and US$148 million (2017: US$169 million) respectively.

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Effective percentage held by the Group	Principal activities
Associates				
Hong Leong Financial Group Berhad ("HLFG")	Malaysia	1,147,516,890 shares (RM2,267,008,045)	25	Financial services (Note 1)
Tower Real Estate Investment Trust ("Tower REIT")	Malaysia	280,500,000 units (RM290,761,180)	10	Investment in real estate and real estate – related assets (Note 2)
GLM Emerald (Sepang) Sdn Bhd ("GLM Emerald") (formerly known as Vintage Heights Sdn. Bhd.)	Malaysia	140,000,000 shares (RM140,000,000)	21	Property development and operation of an oil palm estate
Joint venture				
EcoWorld International Berhad ("EWI")	Malaysia	2,400,000,000 shares (RM2,592,451,000)	18	Property development (Note 3)

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

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

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

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

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

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

	HLFG		Tower REIT		GLM Emerald		Total	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Non-current assets	N/A	N/A	139,257	131,467	59,547	49,532		
Current assets	N/A	N/A	1,453	2,224	3,740	13,738		
Total assets	56,990,983	50,989,673	140,710	133,691	63,287	63,270		
Non-current liabilities	N/A	N/A	(4,699)	(1,786)	(3,245)	–		
Current liabilities	N/A	N/A	(1,229)	(3,722)	(1,421)	(10,652)		
Total liabilities	(50,383,002)	(45,160,363)	(5,928)	(5,508)	(4,666)	(10,652)		
Non-controlling interests	(2,198,211)	(1,961,594)	–	–	–	–		
Net assets	4,409,770	3,867,716	134,782	128,183	58,621	52,618		
Group's share of net assets	1,118,727	981,212	29,193	27,765	26,381	23,677		
Goodwill	12,092	12,092	–	–	2,466	2,341		
Amounts due from associates	–	–	–	–	95	–		
Impairment loss	(37,462)	(37,462)	–	–	–	–		
Group's carrying amount	1,093,357	955,842	29,193	27,765	28,942	26,018		
Revenue	1,603,791	1,467,276	7,106	8,201	–	89,814		
Profit for the year	469,250	350,010	3,864	4,058	3,237	68,813		
Other comprehensive income	(62,644)	45,897	5,552	(2,344)	2,584	(1,087)		
Total comprehensive income	406,606	395,907	9,416	1,714	5,821	67,726		
Carrying amount of interest in associates at the beginning of the year	955,842	940,012	27,765	28,950	26,018	27,434		
Total comprehensive income attributable to the Group	103,150	100,659	2,040	879	2,619	30,966		
Dividends received during the year	(28,647)	(25,697)	(896)	(979)	–	(31,321)		
Advance to/(repayment from) an associate	–	–	–	–	95	(20)		
Exchange adjustments	63,012	(59,132)	284	(1,085)	210	(1,041)		
Carrying amount of interest in associates at the end of the year	1,093,357	955,842	29,193	27,765	28,942	26,018	1,151,492	1,009,625

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

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

	EWI		Other immaterial joint ventures		Total	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Non-current assets	412,698	225,705				
Current assets	177,372	320,896				
Total assets	590,070	546,601				
Non-current liabilities	(63,467)	(444)				
Current liabilities	(7,822)	(15,194)				
Total liabilities	(71,289)	(15,638)				
Non-controlling interests	(3,986)	(1,639)				
Net assets	514,795	529,324				
Group's share of net assets	138,995	142,918				
Goodwill	39,202	38,804				
Group's carrying amount	178,197	181,722	28,790	25,858	206,987	207,580
Loss for the year	(24,825)	(3,874)				
Group's share of total comprehensive income	(5,493)	(1,046)	1,072	900	(4,421)	(146)
Carrying amount of interest in investee at the beginning of the year	181,722	–	25,858	25,992	207,580	25,992
Addition	–	139,330	1,174	–	1,174	139,330
Goodwill	–	38,804	–	–	–	38,804
Total comprehensive income attributable to the Group	(5,493)	(1,046)	1,072	900	(4,421)	(146)
Advance to joint ventures	–	–	422	–	422	–
Exchange adjustments	1,968	4,634	264	(1,034)	2,232	3,600
Carrying amount of interest in investee at the end of the year	178,197	181,722	28,790	25,858	206,987	207,580

18. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the financial year ended 30 June 2017, the Group acquired an additional 0.3% interest in GL for US$2.3 million in cash, increasing its ownership from 67.3% to 67.6%. The Group recognised a decrease in non-controlling interests of US$3.2 million and an increase in total equity attributable to equity shareholders of the Company of US$0.9 million.

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

	US$'000
Group's ownership interest at 1 July 2016	724,068
Effect of increase in Group's ownership interest	3,170
Share of total comprehensive income	(1,164)
Group's ownership interest at 30 June 2017	726,074

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 US$'000	2017 US$'000
Equity securities		
Listed (at market value)		
– In Hong Kong	1,738,523	1,797,966
– Outside Hong Kong	–	368
Unlisted	24,162	24,451
	1,762,685	1,822,785
Club and other debentures	308	309
Investment in a partnership	32,400	29,700
	1,795,393	1,852,794

At the end of the reporting period, an unlisted available-for-sale financial asset was measured at cost as the directors of the Company are of the opinion that its fair value cannot be measured reliably. An impairment loss was recognised as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset during the year ended 30 June 2017.

20. GOODWILL

	2018 US$'000	2017 US$'000
Cost:		
At 1 July	138,196	143,342
Additions through acquisition of subsidiaries (note 33(a))	42,040	–
Exchange adjustments	2,371	(5,146)
At 30 June	182,607	138,196

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

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

	GuocoLand		Rank	
	2018	2017	2018	2017
Long term growth rate	4%	4%	2%	2%
Discount rate	9%	7%	10%	8%

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

The results of the tests undertaken as at 30 June 2018 and 30 June 2017 indicated no impairment loss was necessary.

21. DEVELOPMENT PROPERTIES

	2018 US$'000	2017 US$'000
Cost	3,023,172	3,253,581
Less: Impairment loss	(5,115)	(4,855)
Progress instalments received and receivable	(733,023)	(940,756)
Transfer to properties held for sale	(594,034)	(9,246)
	1,691,000	2,298,724

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

Certain of the Group's development properties with an aggregate book value of US$1,231.6 million (2017: US$1,889.8 million) were pledged for bank loans and mortgage debenture stock.

22. PROPERTIES HELD FOR SALE

	2018 US$'000	2017 US$'000
At 1 July	481,428	758,000
Additions	66,682	5,881
Transfer from development properties	594,034	9,246
Disposal of a subsidiary (note 33(b))	(1,265)	–
Disposals	(405,637)	(268,898)
Impairment loss recognised	–	(3,485)
	735,242	500,744
Exchange adjustments	11,295	(19,316)
At 30 June	746,537	481,428

23. DEPOSITS FOR LAND

The deposits for land of US$339.1 million as at 30 June 2017 were related to the progressive payment made during the year then ended for the acquisition of four land parcels within Yuzhong District of Chongqing, the People's Republic of China. The Group has taken possession of the land from the Land Resources and Housing Management Bureau of Chongqing Municipality during the year ended 30 June 2018.

24. TRADE AND OTHER RECEIVABLES

	2018 US$'000	2017 US$'000
Trade debtors	198,569	115,246
Accrued receivables for sales consideration not yet billed on completed development properties	143,901	30,710
Other receivables, deposits and prepayments	161,547	149,447
Derivative financial instruments, at fair value	22,197	12,133
Interest receivables	10,697	9,240
	536,911	316,776

Included in the Group's trade and other receivables is US$6.5 million (2017: US$13.1 million) which is expected to be recovered after one year.

(a) Ageing analysis

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

	2018 US$'000	2017 US$'000
Within 1 month	186,220	85,191
1 to 3 months	10,367	24,724
More than 3 months	1,982	5,331
	198,569	115,246

(b) Impairment of trade debtors

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

The balance and the movement of the allowance for bad and doubtful debts as at 30 June 2018 and 2017 are not significant.

24. TRADE AND OTHER RECEIVABLES (cont'd)

(c) Trade debtors that are not impaired

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

	2018 US$'000	2017 US$'000
Neither past due nor impaired	179,929	102,764
Less than 1 month past due	7,865	8,490
1 to 3 months past due	9,309	2,616
More than 3 months past due	1,466	1,376
	18,640	12,482
	198,569	115,246

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

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

25. TRADING FINANCIAL ASSETS

	2018 US$'000	2017 US$'000
Debt securities		
Listed (at market value)		
– In Hong Kong	–	8,206
– Outside Hong Kong	–	15,024
	–	23,230
Equity securities		
Listed (at market value)		
– In Hong Kong	817,339	635,845
– Outside Hong Kong	831,430	823,244
	1,648,769	1,459,089
Unlisted convertible promissory note		
– Outside Hong Kong	10,000	–
	1,658,769	1,482,319

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

(a) Cash and cash equivalent comprise:

	2018 US$'000	2017 US$'000
Deposits with banks	2,253,048	2,716,888
Cash at bank and in hand	277,852	511,739
Cash and short term funds in the consolidated statement of financial position	2,530,900	3,228,627
Fixed deposits with maturity over three months	(585,004)	(1,039,516)
Cash collaterals (note)	(10,573)	(9,120)
Cash and cash equivalents in the consolidated statement of cash flows	1,935,323	2,179,991

Note: Cash collaterals comprised deposits of US$10.6 million (2017: US$9.1 million) as at 30 June 2018 pledged with financial institutions in Singapore for bank loans.

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

(b) Reconciliation of liabilities arising from financing activities

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

	Bank loans and other borrowings and interest payable US$'000	Amount due to non-controlling interests US$'000	Total US$'000
At 1 July 2017	4,786,645	229,842	5,016,487
Changes from financing cash flows:			
Net repayment of bank loans and other borrowings	(11,968)	–	(11,968)
Loans from non-controlling interests of subsidiaries	–	54,722	54,722
Interest paid	(160,532)	–	(160,532)
Total changes from financing cash flows	(172,500)	54,722	(117,778)
Exchange adjustments	46,136	3,337	49,473
Other changes:			
Capitalisation of shareholder's loans from non-controlling interests	–	(9,979)	(9,979)
Total borrowing costs (note 7(a))	106,315	–	106,315
Capitalised borrowing costs (note 7(a))	40,570	13,982	54,552
Amortisation of upfront fee	4,110	–	4,110
Total other changes	150,995	4,003	154,998
At 30 June 2018	4,811,276	291,904	5,103,180

27. ASSETS HELD FOR SALE

	2018 US$'000	2017 US$'000
Other property, plant and equipment	–	8,781
Intangible assets	31,653	–
	31,653	8,781

During the year ended 30 June 2018, GL discontinued its gaming operations. Accordingly, the casino licence of its gaming segment is presented as assets held for sale as at 30 June 2018.

GL has recently been informed that the UK Secretary of State for Transport's ("SST") valuation is GBP27.5 million (approximately US$39.0 million). As GL's valuation indicated in its preliminary claim exceeds the SST's valuation significantly, GL intends to challenge SST's valuation. GL received an interim payment of GBP24.8 million (approximately US$35.2 million) (i.e., 90% of the SST's valuation) on 29 January 2018. The SST's valuation of GBP27.5 million (approximately US$39.0 million) for the Thistle Euston Hotel has resulted in an estimated gain, on disposal of assets held for sale, of GBP20.9 million (approximately US$28.1 million) to the Group for the year ended 30 June 2018.

On 23 February 2017, a compulsory purchase notice was served by the United Kingdom Department for Transport on a Thistle brand hotel due to expropriation of land for the future construction of a high speed railway line in London. The General Vesting Declaration ("GVD"), a notice that gives a local authority the right to take over the ownership of land, was issued on 21 July 2017 for completion of the land transfer by 30 October 2017. As at 30 June 2017, the hotel asset was reclassified under assets held for sale following the issuance of the GVD.

28. TRADE AND OTHER PAYABLES

	2018 US$'000	2017 US$'000
Trade creditors	101,043	80,077
Other payables and accrued operating expenses	554,101	1,235,080
Derivative financial instruments, at fair value	23,188	34,262
Amounts due to fellow subsidiaries	19,300	21,333
Amounts due to associates	34	32
	697,666	1,370,784

Included in trade and other payables is US$99.3 million (2017: US$87.3 million) which is expected to be payable after one year.

28. TRADE AND OTHER PAYABLES (cont'd)

(a) Ageing analysis

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

	2018 US$'000	2017 US$'000
Within 1 month	97,086	70,579
1 to 3 months	2,128	5,989
More than 3 months	1,829	3,509
	101,043	80,077

(b) Other payables and accrued operating expenses

	2018 US$'000	2017 US$'000
Accrued operating expenses	225,970	293,624
Real estate tax payable	2,656	2,652
Social security and gaming and other taxation	49,506	80,519
Interest payables	12,305	26,003
Deposits received	70,381	58,568
Accruals for above market property rentals on the acquired subsidiary	44,155	45,065
Progress billings on properties	11,449	31
Pre-sales deposits received in advance	17,349	654,565
Contingent cash consideration for acquisition of subsidiary	31,583	–
Others	88,747	74,053
	554,101	1,235,080

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

29. BANK LOANS AND OTHER BORROWINGS

	2018			2017		
	Current portion US$'000	Non-current portion US$'000	Total US$'000	Current portion US$'000	Non-current portion US$'000	Total US$'000
Bank loans						
– Secured	980,927	1,635,480	2,616,407	1,154,966	858,568	2,013,534
– Unsecured	294,610	996,663	1,291,273	477,642	726,711	1,204,353
	1,275,537	2,632,143	3,907,680	1,632,608	1,585,279	3,217,887
Other loans						
– Secured	56,997	–	56,997	40,000	–	40,000
– Unsecured	1,941	7,266	9,207	1,819	9,088	10,907
	58,938	7,266	66,204	41,819	9,088	50,907
Unsecured medium term notes and bonds	146,641	603,413	750,054	674,762	742,674	1,417,436
Secured mortgage debenture stock	–	75,033	75,033	–	74,412	74,412
	1,481,116	3,317,855	4,798,971	2,349,189	2,411,453	4,760,642

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

	2018				2017			
	Bank loans US$'000	Mortgage debenture stock US$'000	Other borrowings US$'000	Total US$'000	Bank loans US$'000	Mortgage debenture stock US$'000	Other borrowings US$'000	Total US$'000
Within 1 year or on demand	1,275,537	–	205,579	1,481,116	1,632,608	–	716,581	2,349,189
After 1 year but within 2 years	328,906	–	130,096	459,002	554,010	–	146,805	700,815
After 2 years but within 5 years	2,300,347	75,033	478,849	2,854,229	950,465	74,412	602,456	1,627,333
After 5 years	2,890	–	1,734	4,624	80,804	–	2,501	83,305
	2,632,143	75,033	610,679	3,317,855	1,585,279	74,412	751,762	2,411,453
	3,907,680	75,033	816,258	4,798,971	3,217,887	74,412	1,468,343	4,760,642

29. BANK LOANS AND OTHER BORROWINGS (cont'd)

Note:

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

– legal mortgages on investment properties with an aggregate book value of US$2,950.1 million (2017: US$1,804.8 million) (note 14);

– legal mortgages on development properties with an aggregate book value of US$1,231.6 million (2017: US$1,889.8 million) (note 21);

– legal mortgages on other property, plant and equipment with an aggregate book value of US$488.3 million (2017: US$483.3 million) (note 14); and

– certain trading financial assets with an aggregate book value of US$529.7 million (2017: US$285.2 million) (note 25).

30. PROVISIONS AND OTHER LIABILITIES

	Pensions US$'000	Property lease US$'000	Others US$'000	Total US$'000
At 1 July 2016	5,650	59,835	8,593	74,078
Provision made/(written back) during the year	6,460	(16,075)	12,823	3,208
Amounts settled or utilised during the year	(4,425)	(9,192)	(9,153)	(22,770)
Exchange adjustments	56	(2,726)	(60)	(2,730)
At 30 June 2017	7,741	31,842	12,203	51,786
Provisions and other liabilities as at 30 June 2017 are disclosed as:				
Current liabilities	–	6,234	7,063	13,297
Non-current liabilities	8,327	25,608	5,140	39,075
Non-current assets	(586)	–	–	(586)
	7,741	31,842	12,203	51,786
At 1 July 2017	7,741	31,842	12,203	51,786
Provision (written back)/made during the year	(6,558)	18,632	(33)	12,041
Amounts settled or utilised during the year	(4,869)	(3,112)	(4,640)	(12,621)
Exchange adjustments	130	(7)	158	281
At 30 June 2018	(3,556)	47,355	7,688	51,487
Provisions and other liabilities as at 30 June 2018 are disclosed as:				
Current liabilities	–	8,171	2,680	10,851
Non-current liabilities	7,826	39,184	5,008	52,018
Non-current assets	(11,382)	–	–	(11,382)
	(3,556)	47,355	7,688	51,487

31. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:	Depreciation allowance in excess of related depreciation US$'000	Revaluation of properties US$'000	Timing difference on development properties US$'000	Revaluation of financial liabilities US$'000	Revaluation of securities US$'000	Tax losses US$'000	Others US$'000	Total US$'000
At 1 July 2016	(16,138)	25,078	(35,238)	(2,605)	–	(14,863)	43,538	(228)
(Credited)/charged to consolidated income statement	(67)	(1,942)	(39,224)	126	20,270	2,181	10,544	(8,112)
(Credited)/charged to other comprehensive income	–	–	(35)	475	–	–	(598)	(158)
	(16,205)	23,136	(74,497)	(2,004)	20,270	(12,682)	53,484	(8,498)
Exchange adjustments	521	(823)	(557)	109	52	1,324	(1,469)	(843)
At 30 June 2017	(15,684)	22,313	(75,054)	(1,895)	20,322	(11,358)	52,015	(9,341)
At 1 July 2017	(15,684)	22,313	(75,054)	(1,895)	20,322	(11,358)	52,015	(9,341)
Additions through acquisition of subsidiaries (note 33(a))	–	–	–	–	–	–	6,862	6,862
(Credited)/charged to consolidated income statement	(56)	(3,493)	82,105	518	(1,823)	5,364	21,208	103,823
Charged to other comprehensive income	–	–	–	687	–	–	1,107	1,794
	(15,740)	18,820	7,051	(690)	18,499	(5,994)	81,192	103,138
Exchange adjustments	(102)	350	(510)	(36)	(114)	(24)	380	(56)
At 30 June 2018	(15,842)	19,170	6,541	(726)	18,385	(6,018)	81,572	103,082

31. DEFERRED TAXATION (cont'd)

(a) Deferred tax assets and liabilities recognised (cont'd)

	2018 US$'000	2017 US$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(20,095)	(89,937)
Net deferred tax liabilities recognised in the consolidated statement of financial position	123,177	80,596
	103,082	(9,341)

(b) Deferred tax assets not recognised

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

	2018 US$'000	2017 US$'000
Deductible temporary differences	43,725	52,594
Tax losses	1,766,839	1,755,156
	1,810,564	1,807,750

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

(c) Deferred tax liabilities not recognised

At 30 June 2018, the temporary differences relating to the undistributed profits of subsidiaries amounted to US$114.0 million (2017: US$267.4 million). Deferred tax liabilities of US$11.4 million (2017: US$26.7 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that the profits will not be distributed in the foreseeable future.

32. SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Share capital US$'000	Share premium US$'000	Retained profits US$'000	Total equity US$'000
The Company				
At 1 July 2016	164,526	10,493	3,556,681	3,731,700
Final dividend paid in respect of prior year	–	–	(127,288)	(127,288)
Interim dividend paid in respect of current year	–	–	(42,365)	(42,365)
Total comprehensive income for the year – Profit for the year	–	–	196,561	196,561
At 30 June 2017	164,526	10,493	3,583,589	3,758,608
At 1 July 2017	164,526	10,493	3,583,589	3,758,608
Final dividend paid in respect of prior year	–	–	(126,340)	(126,340)
Interim dividend paid in respect of current year	–	–	(41,928)	(41,928)
Total comprehensive income for the year – Profit for the year	–	–	172,797	172,797
At 30 June 2018	164,526	10,493	3,588,118	3,763,137

(b) Nature and purpose of reserves of the Group

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

(ii) The capital and other reserves have been set up and will be dealt with in accordance with the Group's accounting policies. The purchase consideration for issued shares of the subsidiaries acquired for the purpose of satisfying outstanding share options granted by the subsidiaries is included in the capital reserve. It also comprises statutory and regulatory reserves maintained by HLFG's banking subsidiary companies in Malaysia and Vietnam.

32. SHARE CAPITAL AND RESERVES (cont'd)

(b) Nature and purpose of reserves of the Group (cont'd)

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

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

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

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

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

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

(vi) The exchange translation reserve comprises:

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

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

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

(viii) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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

(x) Distributable reserves of the Company at 30 June 2018 amounted to US$3,558,637,000 (2017: US$3,554,154,000).

32. SHARE CAPITAL AND RESERVES (cont'd)

(c) Share capital

	2018 No. of shares '000	2018 US$'000	2017 No. of shares '000	2017 US$'000
Authorised:				
Ordinary shares of US$0.50 each	1,000,000	500,000	1,000,000	500,000
Issued and fully paid:				
As at 1 July and 30 June	329,051	164,526	329,051	164,526

Note: As at 30 June 2018, 4,026,862 (2017: 4,026,862) ordinary shares were acquired by the Group to reserve for the executive share option scheme for the purpose of satisfying the exercise of share options to be granted to eligible employees.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 21 May 2018, the Group acquired 100 per cent of the issued share capital of QSB Gaming Limited and its subsidiaries ('YoBingo') for an initial consideration of EUR23.1 million (approximately US$26.5 million). Of the initial consideration, EUR21.1 million (approximately US$24.3 million) was paid in cash on completion and EUR2.0 million (approximately US$2.2 million) is deferred for 24 months. Further contingent consideration will also be paid in cash, subject to 2018 calendar year performance, up to a total consideration cap of EUR52.0 million (approximately US$60.6 million).

YoBingo.es is a leading digital bingo business in the high growth regulated Spanish gaming market. The acquisition provides the Group with a nationally recognised brand, an established customer base and a proprietary platform including bingo, roulette and video bingo content for the Spanish market. The acquisition also provides the potential to accelerate the multi-channel strategy of Rank's established Enracha brand and operate in other regulated markets.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(a) Acquisition of subsidiaries (cont'd)

The provisional fair value of the assets acquired and liabilities assumed, goodwill and consideration are outlined below. The amounts disclosed are provisional due to the proximity of the acquisition to the Group's year-end and the completion account process, outlined by the sale and purchase agreement, extending beyond the finalisation of these financial statements. The accounting will be completed within the 12-month measurement period permitted by HKFRS 3 Business Combinations.

	2018 US$'000
Net assets acquired:	
Property, plant and equipment	45
Intangible assets	19,652
Trade and other receivables	1,853
Cash and short term funds	2,506
Trade and other payables	(1,226)
Taxation	(561)
Deferred tax liabilities	(6,862)
Net assets acquired	15,407
Goodwill arising from acquisition	42,040
Total consideration paid	57,447
Satisfied by:	
Cash consideration paid	24,282
Deferred cash consideration	2,224
Contingent cash consideration	30,829
Estimated completion account adjustment	112
	57,447

The contingent consideration is determined based on a multiple of adjusted earning before interest, tax, depreciation and amortisation ("EBITDA") for the year ended 31 December 2018, less an amount of EUR21.0 million (approximately US$24.5 million). The range of outcomes, on an undiscounted basis, is between nil and EUR28.9 million (approximately US$33.7 million) such that the maximum total consideration payable cannot exceed EUR52.0 million (approximately US$60.6 million). The contingent consideration is expected to be paid in the first half of calendar year 2019 following completion of the process to prepare, review and agree adjusted EBITDA.

A reconciliation of cash consideration paid to the net cash outflow in respect of acquisition of subsidiaries included in investing activities in the consolidated statement of cash flows is as follows:

	2018 US$'000
Cash consideration paid	(24,282)
Cash and short term funds acquired	2,506
Net cash outflow in respect of acquisition of subsidiaries	(21,776)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(b) Disposal of a subsidiary

During the year, the Group disposed its investment in a subsidiary, Tianjin Zhong Xin Ming Shi Real Estate Development Co., Ltd ("TJZX"), for a consideration of RMB581.4 million (approximately US$86.9 million). The consideration was set off against an equivalent amount of debts owing by a subsidiary of the Group to TJZX, by way of novation of the debts to the buyer.

The cash flows and net assets relating to the subsidiary disposed are summarised as follows:

	2018 US$'000
Net assets disposed of:	
Property, plant and equipment	1
Properties held for sale	1,265
Other net current receivables	7,489
Amount owing by a wholly-owned subsidiary of the Group	79,956
Cash and short term funds	6,927
Net assets disposed of	95,638
Realisation of translation reserve	(9,108)
Net gain on disposal of a subsidiary	353
Total consideration	86,883
Less: Cash balances of subsidiary disposed	(6,927)
Less: Novation of amount owing by a wholly-owned subsidiary of the Group	(79,956)
Net cash inflow in respect of disposal of a subsidiary	–

(c) Issuance of perpetual securities by a subsidiary

During the year, a wholly owned subsidiary of GuocoLand issued subordinated perpetual securities (the "Perpetual Securities") with an aggregate principal amount of S$400 million (approximately US$293.5 million). Transaction costs incurred amounting to S$2.8 million (approximately US$2.1 million) were recognised in equity as a deduction from the proceeds.

The Perpetual Securities bear distributions at a rate of 4.6% per annum for the period from 23 January 2018 to 22 January 2025. Distributions are cumulative and payable semi-annually at the option of GuocoLand.

The Perpetual Securities have no fixed maturity and are redeemable at the option of GuocoLand on or after 23 January 2023 at their principal amount together with any unpaid distributions.

34. EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plans

The Group has several defined benefit pension schemes, all of which are closed to new members and their assets are held in separate funds administered by independent trustees. Actuarial valuations are carried out at least once every three years. The Group has set aside sufficient funds to fund the schemes.

These defined benefit pension schemes expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The plans are funded by contributions from the Group's subsidiaries in accordance with the schedule of contributions between the trustees and the Group's subsidiaries following each triennial actuarial valuation carried out by independent actuaries, using the projected unit credit method. The latest independent actuarial valuations of the plans in United Kingdom were at 1 May 2017 and were prepared by qualified staff of Aon Hewitt Limited, who are members of the Institute and Faculty of Actuaries. The latest independent actuarial valuations of the plans in New Zealand were at 31 March 2018 and were prepared by qualified staff of MCA NZ Limited, who are fellow members of the New Zealand Society of Actuaries. The actuarial valuations indicate that the Group's combined obligations under these defined benefit retirement plans are 107.4% (2017: 98.3%) covered by the plan assets held by the trustees.

The amounts recognised in the consolidated statement of financial position are as follows:

	2018 US$'000	2017 US$'000
Present value of funded obligations	120,560	130,796
Less: Fair value of plan assets	(129,451)	(128,547)
Present value of net (surplus)/obligations of funded plans	(8,891)	2,249
Present value of unfunded obligations	5,335	5,492
Net (assets)/liabilities in the consolidated statement of financial position	(3,556)	7,741

A portion of the above net (assets)/liabilities is expected to be (recovered)/settled after more than one year. However, it is not practicable to segregate this amount from the amounts (receivable)/payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(i) Changes in the present value of the defined benefit obligation are as follows:

	2018 US$'000	2017 US$'000
At 1 July	130,796	129,192
Current service cost	278	279
Interest cost	3,540	3,662
Actuarial (gains)/losses	(9,026)	7,806
Benefits paid	(6,806)	(5,846)
Exchange differences	1,778	(4,297)
At 30 June	120,560	130,796

34. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

(ii) Changes in the fair value of plan assets are as follows:

	2018 US$'000	2017 US$'000
At 1 July	(128,547)	(128,551)
Contributions from the Group	(4,776)	(4,353)
Benefits paid	6,806	5,846
Actuarial gains	(1,206)	(6,012)
Exchange differences	(1,728)	4,523
At 30 June	(129,451)	(128,547)

(iii) Movements in the net (assets)/liabilities for defined benefit pension scheme recognised in the consolidated statement of financial position are as follows:

	2018 US$'000	2017 US$'000
At 1 July	2,249	641
Contributions paid	(4,776)	(4,353)
Expense recognised in profit or loss	496	220
(Incomes)/expenses recognised in other comprehensive income	(6,910)	5,515
Exchange differences	50	226
At 30 June	(8,891)	2,249

(iv) Expenses/(income) recognised in consolidated income statement and consolidated statement of comprehensive income are as follows:

	2018 US$'000	2017 US$'000
Current service costs	213	279
Net interest expense/(income) on obligation	104	(59)
Net actuarial (gains)/losses recognised	(6,731)	6,240
	(6,414)	6,460

34. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

(v) Plan assets comprise of:

	2018 US$'000	2017 US$'000
Equity/Diversified growth fund	68,640	68,490
Bond	60,589	59,690
Cash	222	367
	129,451	128,547

(vi) Principal actuarial assumptions as at the reporting date (expressed as weighted averages) are as follows:

	2018	2017
Discount rate	2.85% to 3.00%	2.65% to 4.00%
Rates of increase to pensions in payment		
– Retail Price Index maximum 5% per annum	3.00%	3.05%
– Consumer Price Index maximum 3% per annum	1.80%	1.85%
– Consumer Price Index maximum 2.5% per annum	1.65%	1.70%
Rate of increase in salaries	3.60%	3.70%

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Increase US$'000	Decrease US$'000
2018		
Discount rate (1% movement)	(20,313)	20,333
Rate of increase to pensions in payment (1% movement)	5,164	(5,164)
Rate of increase in salaries (1% movement)	132	(132)
Future mortality (1% movement)	4,096	(3,973)
2017		
Discount rate (1% movement)	(20,994)	20,994
Rate of increase to pensions in payment (1% movement)	5,624	(5,624)
Rate of increase in salaries (1% movement)	130	(130)
Future mortality (1% movement)	(4,692)	4,692

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

34. EMPLOYEE RETIREMENT BENEFITS (cont'd)

(a) Defined benefit retirement plans (cont'd)

Other pension commitment

Rank has an unfunded pension commitment relating to three former executives of Rank. At 30 June 2018, Rank's commitment was US$5.3 million (2017: US$5.5 million). Rank paid US$0.1 million (2017: US$0.7 million) in pension payments during the year. The actuarial loss arising on the commitment, resulting from the changes in assumptions outlined below in the year, was US$0.2 million (2017: US$0.7 million) after taxation.

Assumptions used to determine the obligations at:

	2018	2017
Discount rate per annum	2.7%	2.6%
Pension increases per annum	3.2%	3.3%

The obligation has been calculated using the S1 mortality tables with a 1.5% per annum improvement in life expectancy.

(b) Defined contribution retirement plans

The Company and its subsidiaries in Hong Kong operate a Mandatory Provident Fund Scheme ("MPF Scheme") which has been established under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance in December 2000. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group's contribution is 10 percent or 5 percent of employees' monthly salaries and is expensed as incurred.

Subsidiaries in Singapore operate a Central Provident Fund Scheme ("CPF Scheme") which is a defined contribution scheme. Under this CPF Scheme, the subsidiary's contribution is 7.5 percent to 17 percent of employees' monthly salaries and is expensed as incurred.

During the year, the Group's cost incurred on employees pension schemes were US$12,529,000 (2017: US$11,672,000) and forfeited contributions in the amount of US$75,000 (2017: US$3,000) were used to reduce current year's contributions.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are managed by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risks are primarily attributable to bank deposits, debt securities, derivative financial instruments and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's bank deposits are only deposited in and debt securities are only purchased from counterparties which have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparties and countries to manage concentration risk.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(a) Credit risk (cont'd)

The Group's credit exposure in the property business is minimal as customers fund their purchases of residential housing units with mortgaged home loans from independent financial institutions. The hotel business has its own credit policy to allow credit period of up to 14 days for certain of its customers. Sales to gaming retail customers are settled in cash or using major credit cards. The Group has no significant concentrations of credit risks. The Group does not hold any collateral over the receivables balances.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position after deducting any impairment allowance.

(b) Liquidity risk

Liquidity is managed on a daily basis by the treasury and finance departments. They are responsible for ensuring that the Group has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018 Contractual undiscounted cash flow						2017 Contractual undiscounted cash flow					
	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total US$'000	Carrying amount at 30 June 2018 US$'000	Within 1 year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total US$'000	Carrying amount at 30 June 2017 US$'000
Non-derivative financial liabilities												
Bank loans and other loans	(1,409,292)	(576,671)	(2,222,667)	(4,666)	(4,213,296)	(3,973,884)	(1,738,866)	(585,893)	(993,659)	(84,172)	(3,402,590)	(3,268,794)
Unsecured medium term notes and bonds	(173,674)	(151,218)	(508,531)	–	(833,423)	(750,054)	(746,484)	(171,958)	(527,801)	(126,457)	(1,572,700)	(1,417,436)
Secured mortgage debenture stock	(5,741)	(5,741)	(84,404)	–	(95,886)	(75,033)	(5,662)	(5,662)	(88,906)	–	(100,230)	(74,412)
Trade and other payables	(461,505)	(46,841)	(31,749)	(20,717)	(560,812)	(560,812)	(466,168)	(42,728)	(27,143)	(23,138)	(559,177)	(553,721)
	(2,050,212)	(780,471)	(2,847,351)	(25,383)	(5,703,417)	(5,359,783)	(2,957,180)	(806,241)	(1,637,509)	(233,767)	(5,634,697)	(5,314,363)
Derivative financial liabilities												
Derivatives settled net:												
Interest rate swaps	(11,112)	(9,534)	(13,481)	–	(34,127)		(7,950)	(7,935)	(12,428)	–	(28,313)	
Derivatives settled gross:												
Forward foreign exchange contracts												
– outflows	(1,079,602)	–	–	–	(1,079,602)		(1,208,979)	–	–	–	(1,208,979)	
– inflows	1,077,799	–	–	–	1,077,799		1,200,193	–	–	–	1,200,193	
	(12,915)	(9,534)	(13,481)	–	(35,930)		(16,736)	(7,935)	(12,428)	–	(37,099)	

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(c) Interest rate risk

The Group's interest rate risk arises from treasury activities and borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. The Group uses interest rate swaps to manage its interest rate exposure as appropriate. As at 30 June 2018, the Group had interest rate swaps with outstanding notional amount of US$181.7 million (2017: US$345.0 million).

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest earning financial assets and interest bearing financial liabilities at the end of the reporting period.

	2018		2017	
	Effective interest rate	US$'000	Effective interest rate	US$'000
Floating rate financial liabilities				
Bank loans and other borrowings	0.504% to 7.45%	(3,946,605)	0.98% to 4.75%	(3,087,264)
		(3,946,605)		(3,087,264)
Fixed rate financial assets/(liabilities)				
Deposits with banks	0.15% to 5.10%	2,253,048	0.001% to 5.20%	2,716,888
Debt securities	–	–	2.25% to 2.50%	23,230
Bank loans and other borrowings	2.65% to 7.88%	(852,366)	3.07% to 7.88%	(1,673,378)
		1,400,682		1,066,740
Total		(2,545,923)		(2,020,524)

(ii) Sensitivity analysis

At 30 June 2018, it is estimated that a general increase/decrease of 50 to 75 basis points (2017: 25 to 117 basis points) in interest rates for the Group's various currencies, mainly United States dollars, Pound sterling, Hong Kong dollars and Singapore dollars, with all other variables held constant, would have decreased/increased the Group's profit and total equity by approximately US$11.7 million (2017: decreased/increased of US$4.7 million). This takes into account the effect of interest earning bank deposits and interest bearing bank loans and other borrowings as at 30 June 2018.

The sensitivity analysis above indicates the instantaneous change in the Group's profit and total equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as for 2017.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(d) Foreign currency risk

Structural foreign currency positions arise mainly on overseas investments in Singapore, Malaysia, China and United Kingdom. Currency exposure to these overseas investments is managed primarily at the Group level with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations.

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

(i) Exposure to foreign currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of interest in subsidiaries are excluded.

			2018					2017		
	Japenese yen '000	Renminbi '000	Pound sterling '000	Malaysian ringgit '000	Singapore dollars '000	Japenese yen '000	Renminbi '000	Pound sterling '000	Malaysian ringgit '000	Singapore dollars '000
Available-for-sale financial assets	–	–	–	–	–	–	–	–	1,581	–
Trade and other receivables	571	106,670	2	1,280	7	561,128	276,763	2,003	259	664
Trading financial assets	34,911,757	–	204,276	136,096	13,690	17,517,476	–	285,349	133,159	112,782
Cash and short term funds	313,830	4,974,419	7,754	1,157	1,248	14,361,338	3,968,373	14,568	3,663	710
Trade and other payables	(111,993)	(236,563)	–	(2)	(46)	(1,902)	(5,745,668)	–	(2)	(18)
Bank loans and other borrowings	(20,000,000)	(409,563)	–	–	–	(20,000,000)	–	–	–	–
Gross exposure arising from recognised assets and liabilities	15,114,165	4,434,963	212,032	138,531	14,899	12,438,040	(1,500,532)	301,920	138,660	114,138
Notional amounts of forward exchange contracts at fair value through profit or loss	(17,353,756)	395,170	(187,149)	(137,000)	(85,489)	(7,686,043)	(745,472)	(257,449)	(205,000)	(100,118)
Overall net exposure	(2,239,591)	4,830,133	24,883	1,531	(70,590)	4,751,997	(2,246,004)	44,471	(66,340)	14,020

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(d) Foreign currency risk (cont'd)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2018			2017		
	Increase in foreign exchange rates	Effect on profit US$'000	Effect on other components of equity US$'000	Increase in foreign exchange rates	Effect on profit US$'000	Effect on other components of equity US$'000
Japanese yen	3%	794	–	2%	516	–
Renminbi	3%	19,869	–	3%	(8,387)	–
Pound sterling	6%	1,820	–	2%	1,275	–
Malaysian ringgit	4%	(29)	–	1%	(168)	4
Singapore dollars	3%	(1,621)	–	2%	533	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit and total equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis as for 2017.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 25) and available-for-sale equity securities (see note 19).

The Group maintains an investment portfolio which comprises listed and unlisted equities. Investments are chosen to enhance creation of capital value for trading purpose as well as for long term potential growth. Equity investments are subject to asset allocation limits to control appropriate risks. The portfolio size is regularly reviewed and the price movements are closely monitored by the investment committee, who will take appropriate actions when required.

At 30 June 2018, it is estimated that an increase/decrease of 4% to 22% (2017: 5% to 20%) in the market value of the Group's global listed trading securities and available-for-sale equity securities, with all other variables held constant, would have increased/decreased the Group's profit and total equity by US$241.4 million (2017: US$228.9 million) and US$266.9 million (2017: US$325.4 million) respectively. It is assumed that none of the available-for-sale investments would be considered impaired as a result of relevant risk variables. The analysis is performed on the same basis as for 2017.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values measurement

(i) Financial assets and liabilities measured at fair value

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

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

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

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

	2018				2017			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Recurring fair value measurements								
Assets								
Available-for-sale financial assets:								
– Listed	1,738,523	–	–	1,738,523	1,798,334	–	–	1,798,334
– Unlisted	–	32,400	24,470	56,870	–	29,700	24,760	54,460
Trading financial assets:								
– Listed	1,648,769	–	–	1,648,769	1,459,089	23,230	–	1,482,319
– Unlisted	–	10,000	–	10,000	–	–	–	–
Derivative financial instruments:								
– Interest rate swaps	–	–	–	–	–	28	–	28
– Forward exchange contracts	–	17,918	–	17,918	–	11,458	–	11,458
– Equity options	–	4,279	–	4,279	–	637	–	637
– Currency options	–	–	–	–	–	10	–	10
	3,387,292	64,597	24,470	3,476,359	3,257,423	65,063	24,760	3,347,246
Liabilities								
Derivative financial instruments:								
– Interest rate swaps	–	4,270	–	4,270	–	8,128	–	8,128
– Forward exchange contracts	–	14,938	–	14,938	–	13,961	–	13,961
– Equity options	–	3,980	–	3,980	–	12,173	–	12,173
	–	23,188	–	23,188	–	34,262	–	34,262

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values measurement (cont'd)

(i) Financial assets and liabilities measured at fair value (cont'd)

During the years ended 30 June 2018 and 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts is determined based on quotes from market makers or alternative market participants supported by observable inputs including spot and forward exchange rates. The fair value of other derivative financial instruments is determined based on the amount that the Group would receive or pay to terminate the contracts with the independent counterparties at the end of the reporting period, taking into account current observable inputs. The fair value of the unlisted available-for-sale financial asset in Level 2 is determined using a valuation technique based on the net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the unlisted available-for-sale financial asset. The assets held by the unlisted available-for-sale financial asset consist of a publicly traded investment in an active market which is reported at the market closing price.

Information about Level 3 fair value measurements

Other unlisted available-for-sale financial assets carried at fair value are categorised within Level 3 of the fair value hierarchy. The fair values are determined using a valuation technique or based on the net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the investee fund.

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

	2018 US$'000	2017 US$'000
Unlisted available-for-sale financial assets:		
At 1 July	24,760	34,464
Payment for purchases	–	2,265
Disposals	–	(2,568)
Net unrealised losses recognised in other comprehensive income during the year	(164)	(1,289)
Impairment loss	–	(7,711)
Redemption of cost	–	(249)
Exchange adjustments	(126)	(152)
At 30 June	24,470	24,760
Total gains or losses for the year reclassified from consolidated other comprehensive income on disposal	–	167

The gains or losses arising from the disposal of the unlisted available-for-sale financial assets are presented in "other net income" in the consolidated income statement. The net unrealised gains arising from the remeasurement of the unlisted available-for-sale financial assets are recognised in fair value reserve in other comprehensive income.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (cont'd)

(f) Fair values measurement (cont'd)

(ii) Fair value of financial assets and liabilities carried at other than fair value

Other than for the mortgage debenture stock, the carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2018 and 30 June 2017.

Mortgage debenture stock is measured at fair value at initial recognition and annually thereafter for disclosure on each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the government yield curve at the reporting date plus an adequate credit spread. The fair value of the mortgage debenture stock at 30 June 2018 is estimated to be US$88.2 million (2017: US$89.0 million) and is classified within Level 2 of the fair value hierarchy. The interest rate used to discount estimated cash flows at the reporting date was 1.59% (2017: 2.25%).

(g) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master agreements providing offsetting mechanism under certain circumstances. At the end of the reporting period, the Group and the counterparties have not exercised their rights to offset the financial instruments and the derivatives are settled at gross amount.

36. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure by reviewing its equity-debt ratio and cashflow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines equity-debt ratio as the ratio of the total equity attributable to equity shareholders of the Company to net debt. Net debt comprises total borrowings less cash and short term funds and trading financial assets.

The equity-debt ratio at the end of the reporting period is as follows:

	2018 US$'000	2017 US$'000
Bank loans	3,907,680	3,217,887
Mortgage debenture stock	75,033	74,412
Other borrowings	816,258	1,468,343
Total borrowings	4,798,971	4,760,642
Less: Cash and short term funds	(2,530,900)	(3,228,627)
Trading financial assets	(1,658,769)	(1,482,319)
Net debt	609,302	49,696
Total equity attributable to equity shareholders of the Company	8,344,386	7,934,057
Equity-debt ratio	93:7	99:1

37. COMMITMENTS

(a) Operating lease arrangements

(i) As lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2018 US$'000	2017 US$'000
Within 1 year	127,343	141,419
After 1 year but within 5 years	466,742	487,941
After 5 years	1,181,335	1,180,823
	1,775,420	1,810,183

The Group leases a number of properties, plant and machinery under operating leases. The leases typically run for periods from 1 year to 22 years (2017: 1 year to 23 years), with an option to renew the lease after expiry date. Regular lease payment reviews are required by the majority of the lease agreements.

(ii) As lessor

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	2018 US$'000	2017 US$'000
Within 1 year	94,291	67,449
After 1 year but within 5 years	214,829	232,368
After 5 years	13,634	29,177
	322,754	328,994

(b) Capital commitments outstanding at year end not provided for in the financial statements

	2018 US$'000	2017 US$'000
Authorised and contracted for	13,378	30,488
Authorised but not contracted for	86,017	278,794
	99,395	309,282

The commitment in respect of development expenditure contracted but not provided for in the financial statements by the Group was US$177.5 million (2017: US$129.6 million); in respect of purchase of land was US$508.0 million (2017: US$214.7 million).

(c) There were also commitments in respect of foreign currency contracts relating to the normal operations as at 30 June 2018 and 30 June 2017.

38. CONTINGENT LIABILITIES

(a) GuocoLand

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

(b) Rank

Property leases

Concurrent to the GBP211 million (approximately US$278 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, 8 of these have not expired or been surrendered. These 8 leases have durations of between 8 months and 95 years and a current annual rental obligation (net of sub-let income) of approximately GBP0.8 million (approximately US$1.0 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.

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

Transactions with companies in the Hong Leong Company (Malaysia) Berhad Group ("HLCM"):

During the year, the Group entered into a number of transactions in the normal course of business with companies in the HLCM group including deposits and correspondent banking transactions. The transactions were priced based on the relevant market rates at the time of each transaction, and were under the same terms as those available to the independent counterparties and customers.

Information relating to interest income from these transactions during the year and balance outstanding at the end of the reporting period is set out below:

(i) Income for the year ended 30 June

	2018 US$'000	2017 US$'000
Interest income	1,119	1,361

39. MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(a) Banking transactions (cont'd)

(ii) Balance as at 30 June

	2018 US$'000	2017 US$'000
Deposits	32,204	31,201

(b) Management fees

On 7 July 2017, the Company entered into two master services agreements with GOMC Limited ("GOMC") and GuoLine Group Management Co. Limited ("GGMC"), subsidiaries of HLCM, for provision by GOMC or GGMC of management services to the Company and/or its subsidiaries (excluding those subsidiaries which are from time to time incorporated, resident or having principal place of business in Malaysia (the "Malaysian Subsidiaries")), for a term of 3 years from 1 July 2017 to 30 June 2020. Total amount paid or provided for in respect of management fees to GOMC and GGMC for the year ended 30 June 2018 amounted to US$618,000 (2017: US$5,425,000) and US$19,168,000 (2017: US$16,744,000) respectively.

On 7 July 2017, the Company entered into a master services agreement with HL Management Co Sdn Bhd ("HLMC"), a subsidiary of HLCM, for the provision of management services to the Malaysian Subsidiaries of the Company for a term of 3 years from 1 July 2017 to 30 June 2020. Total amount paid or provided for in respect of management fees to HLMC for the year ended 30 June 2018 amounted to US$1,048,000 (2017: US$86,000).

The previous master services agreements entered into between the Company and the subsidiaries of HLCM expired on 30 June 2017.

(c) Key management personnel information

Emoluments for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2018 US$'000	2017 US$'000
Short-term employee benefits	9,684	6,271

Total emoluments are included in "staff costs" (see note 7(b)).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (a) banking transactions and (b) management fees above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS" of the Report of the Directors.

40. COMPANY–LEVEL STATEMENT OF FINANCIAL POSITION

	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS		
Interest in subsidiaries	3,276,753	2,780,354
Available-for-sale financial assets	203	203
	3,276,956	2,780,557
CURRENT ASSETS		
Trade and other receivables	4,751	7,279
Cash and short term funds	679,080	1,633,723
	683,831	1,641,002
CURRENT LIABILITIES		
Amounts due to subsidiaries	197,051	656,704
Trade and other payables	599	6,247
	197,650	662,951
NET CURRENT ASSETS	486,181	978,051
NET ASSETS	3,763,137	3,758,608
CAPITAL AND RESERVES		
Share capital (note 32)	164,526	164,526
Reserves (note 32)	3,598,611	3,594,082
TOTAL EQUITY	3,763,137	3,758,608

Approved and authorised for issue by the Board of Directors on 3 September 2018

Kwek Leng Hai
Tang Hong Cheong
Directors

41. PRIVATISATION PROPOSAL AND SPECIAL DIVIDEND IN SPECIE

On 29 June 2018, GuoLine Overseas Limited (the "Offeror") requested the board of directors of the Company to put forward to the shareholders of the Company a proposal which involves the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act (the "Scheme") and, subject to the Scheme having become binding and effective in accordance with its terms, the payment by the Company of a special dividend (by way of a distribution in-specie) of up to 291,117,141 ordinary shares in Hong Leong Financial Group Berhad (a company in which the Company has a 25.37% shareholding interest) (the "Distribution", together with the Scheme, the "Proposal") to shareholders of the Company. Upon completion of the Proposal, the Offeror will own 100% of the issued ordinary share capital of the Company, and the Company will, as soon as practicable thereafter, make an application for the withdrawal of the listing of the shares on the Stock Exchange.

For further details of the Proposal, please refer to the joint announcement dated 29 June 2018 issued by the Company and the Offeror (the "Joint Announcement"), the subsequent joint announcement issued by the Company and the Offeror dated 20 July 2018 regarding the extension of time for despatch of Scheme Document to a date not later than 19 October 2018, the announcement issued by the Company dated 23 July 2018 regarding the appointment of Somerley Capital Limited as the independent financial adviser to the independent board committee of the Company.

42. PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent company at 30 June 2018 to be GuoLine Overseas Limited, which is incorporated in Bermuda and the ultimate holding company to be Hong Leong Company (Malaysia) Berhad, which is incorporated in Malaysia. These entities do not produce financial statements available for public use.

43. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 30 June 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, Financial Instruments	1 January 2018
HKFRS 15, Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: – Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKAS 40, Investment property: – Transfers of investment property	1 January 2018
HK(IFRIC) 22 – Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23 – Uncertainty over income tax treatments	1 January 2019

43. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2018 (cont'd)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have certain impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 31 December 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report. The Group does not intend to early adopt any of these amendments or new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 July 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities for which the Group has the option to irrevocably designate them as FVTOCI on transition to HKFRS 9. The Group plans to elect this designation option for its investments in equity securities held on 1 July 2018. Consequently, these investments will continue to be measured at fair value at each reporting date, with movements in fair value recognised in other comprehensive income and dividend income recognised in profit or loss. However, the adoption of the FVTOCI option will give rise to a change in accounting policy for these investments in respect of the treatment of impairment losses and gains or losses on disposal as under the new policy the fair value gains and losses recognised in other comprehensive income will not be reclassified to profit or loss, even when these investments are impaired or disposed of. This change in policy will have no impact on the Group's net assets and total comprehensive income but will decrease volatility in profit or loss. Upon the initial adoption of HKFRS 9, impairment losses of US$7,711,000 that have been recognised for available-for-sale investments held on 1 July 2018 will be transferred from retained profits to the fair value reserve at 1 July 2018, resulting in an increase in retained profits and a decrease in fair value reserve.

43. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2018 (cont'd)

HKFRS 9, Financial instruments (cont'd)

(a) Classification and measurement (cont'd)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12–month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect the impairment calculated using the expected credit loss model to have a significant impact on the financial statements.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(a). Currently, revenue arising from rental income is recognised over the accounting periods covered by the lease term and income from hotel operations are recognised at the time when the services are provided, whereas revenue from the sale of properties is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

43. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2018 (cont'd)

HKFRS 15, Revenue from contracts with customers (cont'd)

Timing of revenue recognition (cont'd)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from rental income from investment properties and income from hotel operations. However, revenue recognition for sales of development properties is expected to be affected as follows:

Sales of properties: currently the Group's property development activities are mainly carried out in Singapore, Malaysia and China. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of relevant jurisdictions, the Group has assessed that its property sales contracts will not meet the criteria for recognising revenue over time and therefore revenue from property sales will continue to be recognised at a point in time. Currently the Group recognises revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. The Group has assessed that under the transfer-of-control approach in the new standard revenue from property sales will generally be recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. This may result in revenue being recognised later than at present.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 July 2018. Since the number of "open" contracts for sales of development properties at 30 June 2018 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

HKFRS 16, Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

43. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2018 (cont'd)

HKFRS 16, Leases (cont'd)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease. As disclosed in note 37(a)(i), at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to US$1,775,420,000 for properties and other assets respectively, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

MAJOR DEVELOPMENT PROPERTIES AND PROPERTIES HELD FOR SALE OF THE SUBSIDIARIES

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
Singapore						
Leedon Residence situated at Leedon Heights	Residential	Completed	TOP obtained in Jun 15	48,525	85,270	65
Tanjong Pagar Centre situated at Peck Seah Street/ Choon Guan Street	Residential	Completed	TOP obtained in Oct 17	15,023	157,738	52
	Commercial#/ Office#	Completed				
	Hotel^	Completed				
Sims Urban Oasis situated at Sims Drive	Residential	Completed	TOP obtained in Oct 17	23,900	78,870	65
Martin Modern situated at Martin Place	Residential	Structural works in progress	2nd Quarter 2020	15,936	49,084	65
Mixed Development at Beach Road	Residential/ Commercial#/ Office#	Design stage	2022	22,202	90,029	46
Malaysia						
Site situated at Geran No. 20438, Lot 36, Bandar Batu Ferringhi, Pulau Pinang	Residential	Planning	*	18,534	18,534	44
Damansara City situated at Damansara Town Centre, Kuala Lumpur	Residential	Completed	TOP obtained in Nov 15	32,450	228,420	44
	Commercial#/ Office#	Completed	TOP obtained in Dec 15			
	Hotel^	Completed	TOP obtained in May 17			
Site situated at Lot 3059, Mukim of Hulu Kelang, District of Gombak, Selangor Darul Ehsan	Residential	Planning	*	30,418	30,418	44
Site situated at Lot 7585-7589, 7597-7600 and PT15231, Alam Damai, Kuala Lumpur	Residential	Works in progress	*	184,531	184,531	44

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq.m	Gross floor area sq.m	Group's interest %
Malaysia (cont'd)						
Site situated at Lot 13507, Seksyen 32, Bandar Petaling Jaya, Daerah Petaling	Commercial	Works in progress	3rd Quarter 2018	12,974	38,053	44
The OVAL situated at Seksyen 63, Jalan Binjai, Kuala Lumpur	Residential	Completed	TOP obtained in Sep 09	7,080	24,948	44
Site situated at Mukim of Jasin, Melaka Darul Amin	Residential	Planning	*	15,467,341	15,467,341	30
Site situated at Lot 809, 810, Cheras Batu 8 1/4 and Batu 9, Jalan Cheras, 43200 Cheras	Residential	Planning	*	41,047	41,047	44
The People's Republic of China						
Shanghai Guoson Centre situated in Putuo District, Shanghai	Commercial#	Phase 1: completed	TOP obtained in Jul 10	67,335	120,902	65
	Hotel^	Completed	TOP obtained in Jun 10			
	Commercial/ Office	Phase 2: Planning	*	76,510	148,001	65
Changfeng Residence, situated in Putuo District, Shanghai	Residential	Completed	TOP obtained in Aug 17	47,675	121,107	83
Chongqing 18 steps situated in Yuzhong District, Chongqing	Residential/ Commercial	Planning	*	48,961	513,600	49
Vietnam						
The Canary situated in Thuan An District, Binh Duong Province	Residential/ Commercial	Phase 2: completed	TOP obtained in Sep 13	98,131	177,000	65
		Phases 3 & 4: Planning	*			

* Not available as these developments have not commenced construction or have not been launched yet.

\# The carrying value is included in Investment Properties.

^ The carrying value is included in Other Property, Plant and Equipment.

MAJOR PROPERTIES OF THE SUBSIDIARIES HELD FOR INVESTMENT

Location	Existing Use	Tenure of Land
Singapore		
20 Collyer Quay Singapore 049319	Office building	999 years lease with effect from 5 November 1862
Lots 99951A, 99952K and 99953N Part of 61 Robinson Road Singapore 068893	Reversionary interests in freehold land	(Note)
Tanjong Pagar Centre 1 Wallich Street Singapore 078881	Office building and retail mall	99 years lease with effect from 21 February 2011
Land Parcel at Beach Road Lot no. TS12-01037P Singapore	Office building and retail mall	99 years lease with effect from 2 January 2018

Note: The Group disposed of its interests in a 98-year lease (with effect from 19 March 1998) in the freehold land to a third party. Accordingly, the Group recognised its reversionary interests in the freehold land.

Location	Existing Use	Tenure of Land
Malaysia		
Damansara City Lot 58303 Damansara Heights Jalan Damanlela 50490 Kuala Lumpur	Office building and retail mall	Freehold
The People's Republic of China		
Shanghai Guoson Centre No. 452 Daduhe Road Shanghai	Commercial building	50 years land use rights with effect from 11 December 2005
Hong Kong		
The Center 12th & 15th Floors 99 Queen's Road Central Hong Kong	Office building	From 24 November 1995 to 30 June 2047

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