MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL INVESTMENT

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL INVESTMENT

In the first half of the financial year, global equity markets, with the exception of China and Hong Kong, closed the calendar year strongly with positive returns despite the fluctuations experienced throughout the period. Overall market sentiment was buoyant heading into the second half of the financial year due to a United States Federal Reserve pivot and a market response that started pricing in several rate cuts for calendar 2024. However, the strong labour market and underestimation of inflation in the first quarter of the calendar year led to an expectation that interest rates would remain "higher for longer". After multiple overshoots, concerns about a persistent inflationary environment drove 10 year treasury yields to as high as 4.7% in April which consequently put pressure on the US equity markets. Nevertheless, inflation began to subside in May and June which led to a strong recovery such markets.

In Asia, the China and Hong Kong markets were on a downtrend for the majority of the first half 2024 as the macroeconomic data was disappointing with little prospect of a turnaround of the property sector. Into the second half of the financial year, the Chinese economy saw marginal improvement but personal consumption and the property sector remained under considerable pressure. It was only in April 2024 that policy optimism led to a rebound in the equity markets. Nevertheless, the impact of new property market measures proved to be short-lived and these gains proved temporary. The MSCI China Index had fallen 4.5% at the end of the Group's financial year.

Our investment strategy, which prioritises the fundamental business aspects of companies, helped alleviate the impact from short-term fluctuations influenced by macro factors in the financial year. The Principal Investment segment recorded a pre-tax profit of HK$1,850.0 million for the year ended 30 June 2024, primarily due to unrealised mark-to-market valuations and dividend income received in the financial year.

The Principal Investment segment remains focused on investing in high-quality companies expected to create shareholder value over the long term, with the potential to produce tangible returns for the Group. Having said that, shareholders are reminded that this segment's results are subject to fair valuation adjustments and will therefore remain volatile.

Group Treasury maintained a cautious stance. Net interest expense and foreign exchange exposures were managed, although they remained subject to market volatility.

Investment Portfolio

As of 30 June 2024, the Group's total investments under the Principal Investment amounted to US$1,859 million consisting of a trading investment portfolio and a long-term investment portfolio. No single investment accounted for a value of 5% or more of the Group's total asset value as at 30 June 2024.

The trading investment portfolio consists of around 40 securities; the analyse by sector and geography are as follows:

The long-term investment portfolio consists of four securities, mainly represented by an investment in a financial services company listed in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT AND INVESTMENT

Left: Midtown Bay, Singapore
Right: Guoco Midtown Office Tower, Singapore

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT AND INVESTMENT

GuocoLand Limited ("GuocoLand")

For the year ended 30 June 2024, GuocoLand's revenue increased by 18% to S$1,818.9 million (approximately HK$10,544.6 million) as compared to the prior year. This was mainly due to the continued growth in both the property development and property investment businesses.

Revenue from GuocoLand's property development increased by 16% to S$1,516.6 million (approximately HK$8,792.1 million) driven mainly by robust sales and higher progressive recognition from its residential developments in Singapore including Midtown Modern, Lentor Modern and Lentor Mansion, all of which have been substantially sold. In addition, property development revenue from China increased by 19% as compared to the prior year, mainly contributed by sales of the Guoco 18T project in Chongqing. Revenue from GuocoLand's investment properties increased by 35% to S$228.8 million (approximately HK$1,326.4 million) supported mainly by the higher recurring rental income from the progressive commencement of leases at Guoco Midtown. The revenue from Guoco Changfeng City's South Tower in Shanghai also increased by 48% to S$20.7 million (approximately HK$120.0 million) as its operations stabilised.

GUOCO MIDTOWN

TOTAL OFFICE NET LETTABLE AREA:

709,000 sq ft

TOTAL RETAIL CLUSTERS NET LETTABLE AREA:

50,000 sq ft

MIDTOWN MODERN

TOTAL NO. OF UNITS:

558

MIDTOWN BAY

TOTAL NO. OF UNITS:

219

Guoco Midtown, Singapore

MANAGEMENT DISCUSSION AND ANALYSIS

LENTOR MODERN

TOTAL NO. OF UNITS:

605

LENTOR MANSION

TOTAL NO. OF UNITS:

533

The North Tower of Guoco Changfeng City, a high-rise office tower in Shanghai, commenced leasing operations in the second half of the financial year. As such, it was transferred from properties held for sale to investment properties at fair value and a gain of S$123.7 million (approximately HK$717.1 million) was recognised in gross profit during the year.

Whilst sales of GuocoLand's residential developments in China has progressed satisfactorily resulting in improved liquidity and reduced gearing, market conditions in the real estate sector in China remain uncertain. In view of the prevailing uncertain outlook, GuocoLand recognised an allowance for foreseeable losses of S$103.8 million (approximately HK$601.8 million) in the second half of the financial year on its China development properties.

Other expenses decreased by 49% to S$23.4 million (approximately HK$135.7 million) mainly due to an impairment loss recorded on an overseas joint venture in the prior year.

The valuation surplus on investment properties decreased by 74% to S$40.2 million (approximately HK$233.1 million) mainly due to the slower growth in the property market in Singapore.

Finance costs increased by 60% to S$239.5 million (approximately HK$1,388.4 million), mainly due to the interest expense of Guoco Midtown, which was capitalised during construction, and, since completion, has been recognised in the profit and loss account in the current year. The higher interest rate environment also resulted in an increase in finance costs.

Overall, GuocoLand's profit attributable to equity holders decreased by 38% to S$129.0 million (approximately HK$747.9 million), as compared to the prior year.

Lentor Mansion, Singapore (Artistic Impression)

MANAGEMENT DISCUSSION AND ANALYSIS

In Singapore, statistics provided by the Urban Redevelopment Authority indicate that overall prices of non-landed properties increased at a slower pace during the financial year. The non-landed private residential market is expected to continue to moderate and prices are predicted to remain stable, as high interest rates, property cooling measures and new housing supply have moderated buying sentiment towards non-landed homes. However, attractively priced projects in good locations with attractive design continue to draw relatively strong demand. The office market was resilient during the financial year as most corporate tenants renewed leases owing to cost containment pressures amid an uncertain environment. Some companies still opted to relocate into better quality offices in more desirable locations so as to pursue new workspace strategies, as well as to attract and retain talent. Rental growth may be moderate in future due to new office supply. Analysts expect the office sector to continue to be dominated by renewals with few relocations from large tenants, and office rents to remain flat.

Damansara City, Malaysia

In China, a slew of policies to bolster the real estate sector has been rolled out. In the first half of 2024, most real estate indicators continued on a downward trend. According to the official data, July new home prices decreased by 0.5% and 0.6% quarter-on-quarter in first tier and second tier cities respectively. According to analysts, Grade A office net absorption in Shanghai increased in the second quarter of 2024 nearly doubling the level achieved in the prior quarter. With a high supply of offices in Shanghai, analysts expect rental growth to be subdued.

In Malaysia, official forecasts indicate GDP will grow between 4% and 5% for 2024 and data shows the residential property market improved in the first quarter of 2024 following increased sales volume. However, challenges remain due to elevated interest rates, rising construction costs, and an oversupply of properties in most markets. According to analysts, for the first half of 2024, the overall Klang Valley office market experienced modest improvements in both occupancy and rental rates. Nevertheless, the outlook for the office sector remains challenging given an oversupply situation.

Chongqing GuocoLand 18T, China (Artistic Impression)

MANAGEMENT DISCUSSION AND ANALYSIS

The Tower Hotel, UK

HOSPITALITY AND LEISURE

Mecca Club, Luton, UK

MANAGEMENT DISCUSSION AND ANALYSIS

HOSPITALITY AND LEISURE

The Clermont Hotel Group ("CHG")

CHG, our key hotel operating business unit in the United Kingdom ("UK"), recorded a profit after tax of GBP39.2 million (approximately HK$385.9 million) for the year ended 30 June 2024, compared to GBP36.5 million (approximately HK$345.5 million) for the prior year.

The combined effect of above-market rate growth and the implementation of a volume strategy to drive occupancy led double digit year-on-year growth in top-line revenue. Scale benefits from higher levels of occupancy were reflected in the cost base. The business has also maintained efforts to control costs, through contract negotiations, supplier tenders, energy hedging and realising operational efficiencies. These actions have helped to offset the continued challenges of increased labour costs, high energy costs and inflationary challenges, particularly for food, beverages and laundry.

Despite inflation receding in the second half of the financial year, interest rates remain high. However, strong cash generation has allowed the business to reduce its debt by over a third in less than 12 months. This has been achieved at the same time as stepping up investment in capital expenditure to repair and refurbish the estate. Some of these projects have been started and completed during the year, driving incremental returns at specific food and beverage outlets. Other projects are longer term,

such as selective hotel repositioning or infrastructure upgrades, and work on these projects continues.

In March 2024, CHG was officially named as one of the UK's Best Workplaces 2024 by "A Great Place To Work", an independently recognised measure of workplace culture. The results showed that 76% of its employees expressed that CHG is a great place to work, compared with 54% of employees at a typical UK-based company. This recognition highlights the high levels of employee engagement and supports the business's recruitment efforts in what is a competitive labour market.

Looking ahead to the current year and beyond, CHG's improved financial footing, cautious optimism about the London market, and a highly engaged and motivated team has laid a solid foundation for the future growth of the business.

The Clermont London, Charing Cross, UK

MANAGEMENT DISCUSSION AND ANALYSIS

The Rank Group Plc ("Rank")

Rank's net gaming revenue increased by 8% to GBP734.7 million (approximately HK$7,232.2 million) for the year ended 30 June 2024 due to the growth across all of the business units. Operating profit increased to GBP46.3 million (approximately HK$455.8 million), more than double GBP18.5 million (approximately HK$175.1 million) recorded in the prior year, reflecting the significant operating leverage in the business.

The number of customer visits to Grosvenor venues increased by 9% and the spend per visit decreased by 1%. The business continues to recover from the impact of COVID-related lockdowns, the slow return of international customers, particularly to London's casinos, and the tightening of affordability restrictions in recent years. For Mecca venues, the number of customer visits increased slightly by 2% and the spend per visit increased by 6%. In Spain, the number of customer visits to Enracha venues increased by 6% and the spend per visit increased by 1%.

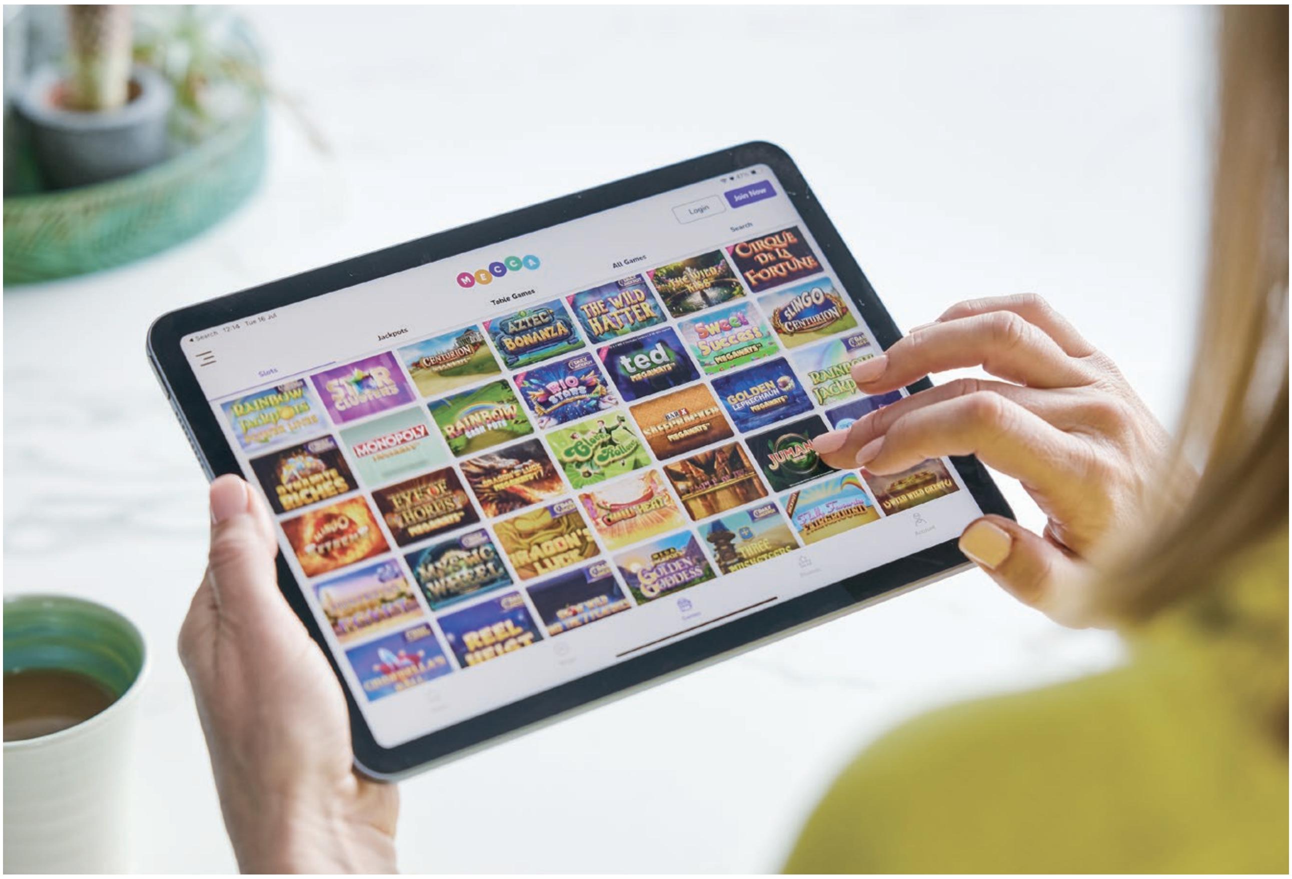
Grosvenor Casinos

Mecca

Enracha

Grosvenor Casino, Gloucester Road, UK

MANAGEMENT DISCUSSION AND ANALYSIS



The digital business continued to perform strongly with notable growth in Grosvenor and Mecca cross-channel brands and in the Yo brand in Spain. Grosvenor and Mecca cross-channel brands recorded an increase of 21% and 20% in net gaming revenue respectively, while the Yo and Enracha brands recorded an increase of 16% in net gaming revenue. Driving the growth in customers and revenues in the UK was the delivery of some key technology developments including a new single content management system serving all the proprietary technology brands, the launch of the first in-house developed app for the Grosvenor brand and a successful establishment of a central engagement platform (a single customer database serving all UK facing businesses).

In addition to providing operational efficiencies and speed to market of new front-end developments, these technology developments also deliver faster webpage loads for customers.

Rank has a strong three-year programme of growth initiatives in place for each of its businesses. The programme includes a focus on cash maximisation in land-based bingo, recovery and growth in the Grosvenor venues business, scaling the digital business both in the UK and internationally, and maximising opportunities from the anticipated land-based legislative reforms for the UK's casino and bingo sectors.

Digital

MECCA | enracha | SPIN AND WIN Let the Good Times Roll | MAGICAL VEGAS | Regal Wins .com

LUCKY PANTS | Kitty Bingo | YoCasino | YoBingo | YoSports

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SERVICES

Hong Leong Bank Berhad, Malaysia

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SERVICES

Hong Leong Financial Group Berhad ("HLFG")

HLFG Group recorded a profit before tax of RM5,845.6 million (approximately HK$9,730.8 million) for the year ended 30 June 2024, an increase of 11% from RM5,251.3 million (restated) (approximately HK$9,135.9 million) in the prior year. The increase was due to higher contribution from across all operating divisions.

Hong Leong Bank Group recorded an increase of 11% in profit before tax, amounting to RM5,134.2 million (approximately HK$8,546.6 million) for the year ended 30 June 2024 as compared to RM4,626.6 million (approximately HK$8,049.1 million) for the prior year. The increase was mainly due to an increase in revenue of RM85.5 million (approximately HK$142.3 million), an increase in share of profit from an associated company by RM299.5 million (approximately HK$498.6 million) and an improvement in allowance of impairment losses by RM228.2 million (approximately HK$379.9 million). The profit growth, however, was partly offset by an increase in operating expenses of RM105.6 million (approximately HK$175.8 million).

HLA Holdings Group recorded a profit before tax of RM606.2 million (approximately HK$1,009.1 million) for the year ended 30 June 2024, an increase of 3% as compared to RM589.9 million (restated) (approximately HK$1,026.3 million) for the prior year. The increase was mainly due to an increase in investment income of RM683.1 million (approximately HK$1,137.1 million) and an increase in share of profit from an associated company of RM22.7 million (approximately HK$37.8 million). The increase, however, was largely offset by an increase in insurance/reinsurance finance expenses and others of RM579.6 million (approximately HK$964.8 million) and a decrease in insurance service income of RM109.9 million (approximately HK$182.9 million).

Hong Leong Capital Group recorded a profit before tax of RM121.9 million (approximately HK$202.9 million) for the year ended 30 June 2024, an increase of 98% as compared to RM61.4 million (approximately HK$106.8 million) for the prior year. This was mainly due to fair value gain on investment and an increase in contribution from across all operating divisions.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHERS

The Group's wholly-owned Manuka honey product producer and distributor, Manuka Health New Zealand Limited ("MHNZ"), recorded an improvement in profit for the year by emphasising its premium positioning and broadening its product range, which mitigated the impact from a contraction in revenue in the face of market competition. Benefiting from favorable weather conditions and optimization of apiculture practices, MHNZ has also seen an improvement in the quality of its yields this year.

The Bass Strait oil and gas business, however, recorded a decrease in its results for the year ended 30 June 2024 due to a fall in average crude oil and gas prices.

GROUP FINANCIAL COMMENTARY

Financial Results

The Group recorded an audited consolidated profit attributable to shareholders of HK$3,580.9 million for the year ended 30 June 2024, representing an increase of 4% versus the prior year. This is mainly attributable to the favorable performances of most of the Group's segments, partially offset by the reduced profit from the Property Development and Investment segment and Others segment. Basic earnings per share amounted to HK$11.01 as compared to HK$10.58 (restated) of the prior year.

For the year ended 30 June 2024, the Principal Investment segment, Property Development and Investment segment, Hospitality and Leisure segment, Financial Services segment and Others segment reported profits before taxation of HK$1,850.0 million, HK$438.0 million, HK$593.3 million, HK$1,350.4 million and HK$183.8 million respectively. Overall, the audited consolidated profit before taxation of the Group for the year ended 30 June 2024 increased by 14% to HK$4,415.5 million.

The Group's revenue for the year ended 30 June 2024 increased by 15% to HK$22.5 billion, primarily due to an increase of HK$1.7 billion in revenue from the Property Development and Investment segment, attributable to robust sales and higher progressive recognition of sales from residential projects in Singapore. In addition, an increase of HK$1.2 billion in revenue from the Hospitality and Leisure segment arose following continued growth of the business in the current year.

Capital Management

The consolidated total equity attributable to shareholders of the Company as at 30 June 2024 amounted to HK$61.4 billion. Net debt, being total bank loans and other borrowings less cash and short-term funds as well as trading financial assets, amounted to HK$12.4 billion. The equity-debt ratio was 83:17 as at 30 June 2024.

Liquidity and Financial Resources

The Group's total cash and short-term funds as well as trading financial assets were mostly denominated in USD (30%), HKD (28%), RMB (12%), SGD (11%) and AUD (5%) as at 30 June 2024.

The Group's total bank loans and other borrowings amounted to HK$36.9 billion as at 30 June 2024, and were mostly denominated in SGD (69%), RMB (11%), HKD (8%), USD (6%), and GBP (4%). The Group has borrowings of HK$14.1 billion payable within one year or on demand.

Certain of the Group's bank loans and other borrowings are secured by pledges of various properties, fixed assets, trading financial assets and bank deposits with an aggregate book value of HK$47.6 billion at year end.

Committed borrowing facilities available to the Group and not yet drawn as at 30 June 2024 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 contracts to manage its interest rate exposure when considered appropriate.

As at 30 June 2024, approximately 82% of the Group's bank loans and other borrowings carried interest at floating rates and the remaining 18% carried interest at fixed rates. The Group had outstanding interest rate contracts with a notional amount of HK$0.6 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Exposure

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

As at 30 June 2024, there were outstanding foreign exchange contracts with a total notional amount of HK$4.1 billion entered into by the Group to primarily hedge foreign currency equity investments.

Equity Price Exposure

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

HUMAN RESOURCES AND TRAINING

As at the year end, the Group had around 10,850 employees[Note]. The Group continued to seek an optimal workforce. It is committed to providing its employees with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial results of the Group and individual achievement to promote performance. In addition, share based award schemes are in place for granting share options and/or free shares to eligible employees to align their long term interests with those of the shareholders and for the purposes of staff motivation and talent retention.

Note: The total number of employees includes permanent, contract, temporary and part-time employees.