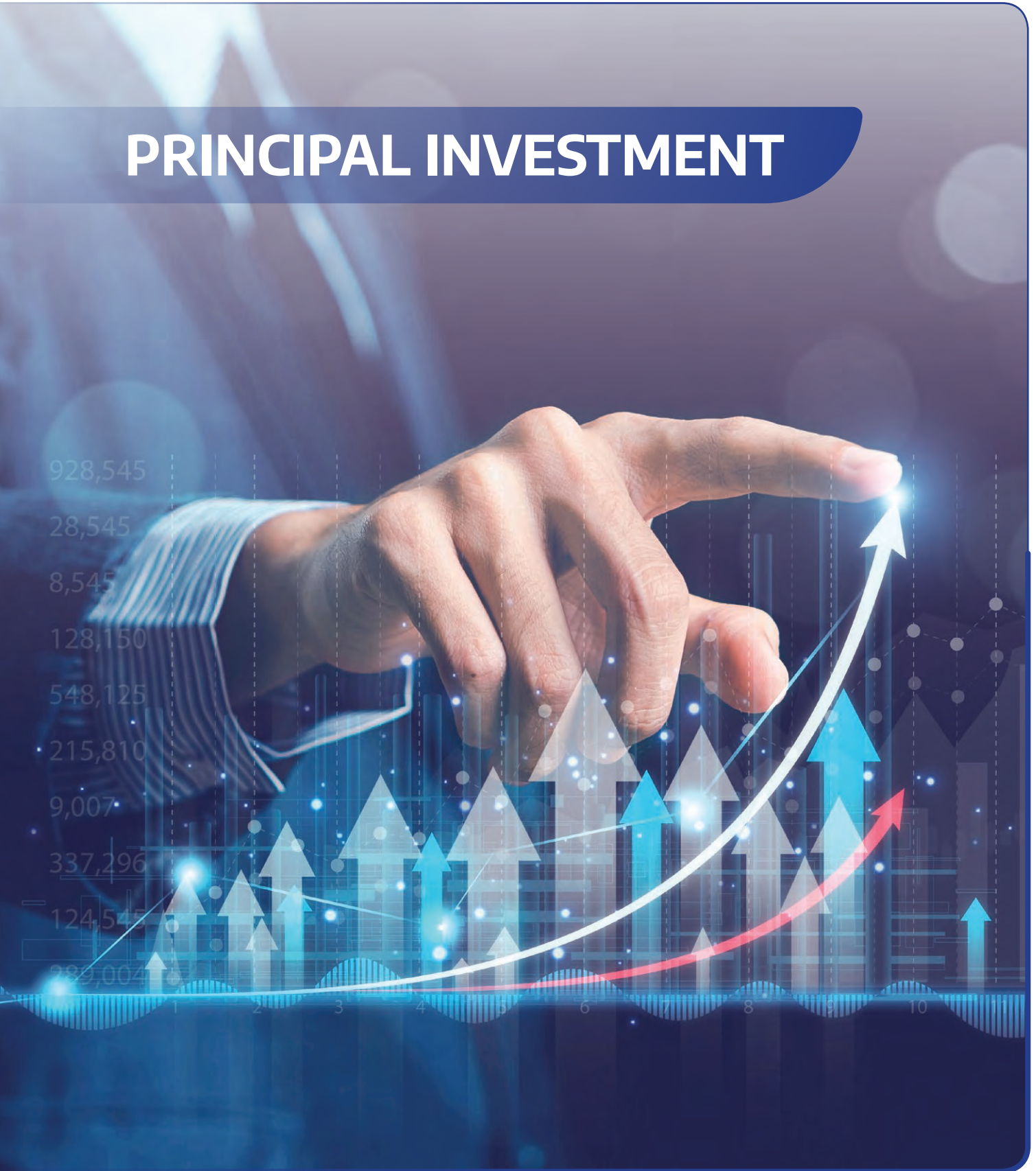


# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL INVESTMENT



# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL INVESTMENT

In the first half of the financial year, global equity markets, except for Europe, ended the year positively despite intermittent market volatility. The third calendar quarter witnessed a correction in global equities due to US recession concerns and an unexpected rate increase by the Bank of Japan. However, a robust recovery followed, buoyed by rate cuts from the US Federal Reserve and the outcome of the US elections. The Chinese equity markets also delivered one of the strongest half-yearly returns in recent years, driven in part by the announcement of fiscal stimulus measures aimed at bolstering the economy. The latter half of the financial year showcased diverging performances. Market optimism in January soured as the US initiated tariff threats, impacting its own market the most in the first quarter of 2025. European markets benefited from German fiscal policies and increased defence spending, while China saw growth with AI breakthrough. The second quarter saw a relaxation in US-China trade tensions with reduced tariffs and easing geopolitical conflicts, leading to a strong close for the global equity market.

Our investment strategy, which prioritises capital allocation to companies with strong business fundamentals, 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\$2,403.3 million for the year ended 30 June 2025, primarily due to realised and unrealised gain on trading financial assets and dividend income received in the financial year.

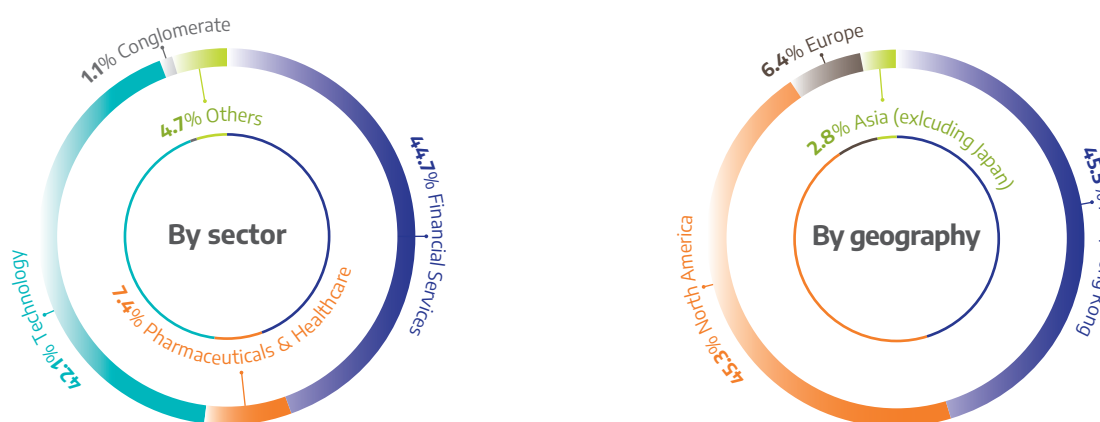
The Principal Investment segment remains focused on investing in high-quality companies expected to create shareholder value over the long term, with the potential to produce tangible returns for the Group. Having said that, shareholders are reminded that this segment's results are subject to fair valuation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

Group Treasury maintained a cautious stance. Net interest expense and foreign exchange exposures were managed albeit still subject to market volatility.

### Investment Portfolio

As of 30 June 2025, the Group's total investments under the Principal Investment amounted to US\$1,965 million comprising 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 2025.

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

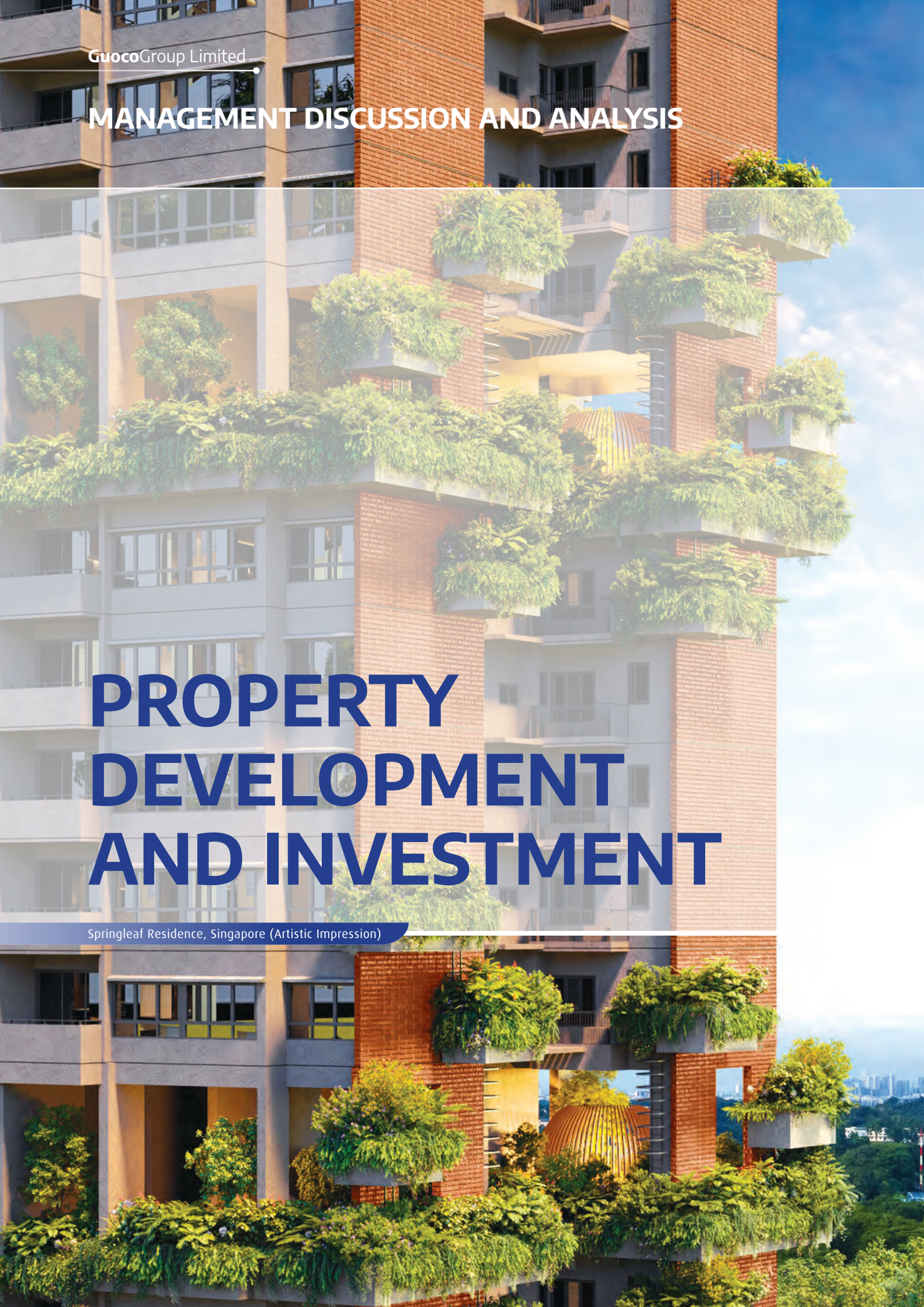


The long term investment portfolio consists of four securities, mainly represented by an investment in a financial service company listed in Hong Kong.

# MANAGEMENT DISCUSSION AND ANALYSIS

# PROPERTY DEVELOPMENT AND INVESTMENT

Springleaf Residence, Singapore (Artistic Impression)



# MANAGEMENT DISCUSSION AND ANALYSIS

## PROPERTY DEVELOPMENT AND INVESTMENT

### GuocoLand Limited (“GuocoLand”)

For the year ended 30 June 2025, GuocoLand’s revenue increased by 5% to S\$1,916.4 million (approximately HK\$11,386.0 million) as compared to the prior year. This was mainly due to the continued growth in both property development and property investment businesses.

Revenue from GuocoLand’s property development increased by 3% to S\$1,563.0 million (approximately HK\$9,286.3 million), driven mainly by the progressive recognition from its residential developments in Singapore that have been substantially sold. In addition, property development revenue from China increased by 28% compared to the prior year, mainly contributed by the handover of some residential units at Guoco Central Park in Chongqing to buyers. As there continues to be challenges in the Chinese residential market, GuocoLand recognised an allowance for foreseeable losses of S\$81.8 million (approximately HK\$486.0 million) in the second half of the financial year for its China’s development properties.

Revenue from GuocoLand’s investment properties increased by 22% to S\$281.1 million (approximately HK\$1,670.1 million) supported mainly by higher recurring rental income from Guoco Tower and Guoco Midtown in Singapore.

Total operating profit for GuocoLand decreased by 7% to S\$298.8 million (approximately HK\$1,775.3 million) as growth in Singapore was offset by losses in China.

Valuation surplus on investment properties increased by 46% to S\$58.9 million (approximately HK\$350.0 million), mainly due to an increase in fair value gains from its Singapore investment properties, partially offset by a decrease in valuations of its investment properties in China.

Net finance cost decreased by 12% to S\$180.0 million (approximately HK\$1,069.4 million). This was mainly due to the lower interest rate environment in the current financial year.

Overall, GuocoLand’s profit attributable to equity holders decreased by 17% to S\$107.1 million (approximately HK\$636.3 million), as compared to the prior year.



# MANAGEMENT DISCUSSION AND ANALYSIS



Guoco Midtown, Singapore

In Singapore, Gross Domestic Product (GDP) increased by an average of 4.3% in the first half of the calendar year. This solid performance prompted the government to upgrade its full-year GDP growth forecast for 2025 to 1.5% to 2.5%, an improvement from its earlier forecast. However, potential risks from global geopolitical and trade tensions remain. Buying demand from homeowners remains resilient, supported by a healthy labour market and moderating interest rates.

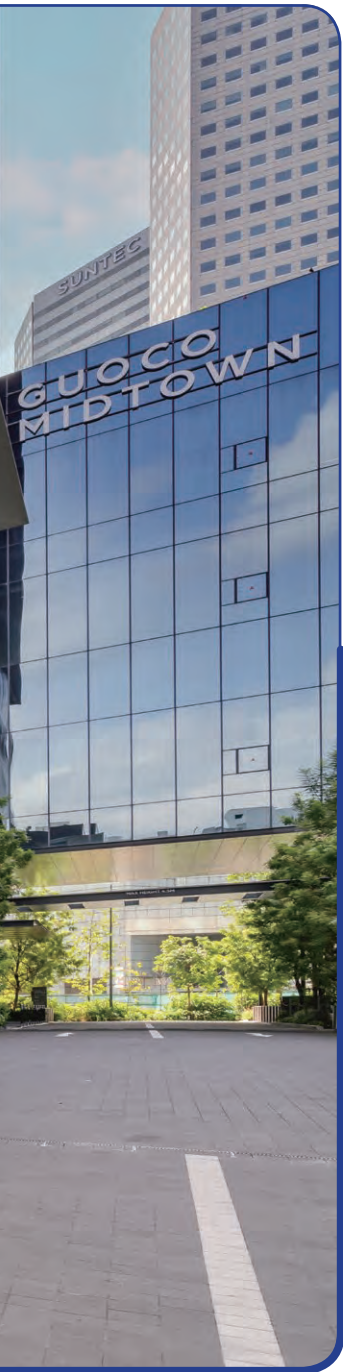
Price growth was moderate in the private residential property market. The office market in Singapore showed resilience, particularly in the core Central Business District (CBD). Effective rents for Grade A offices increased slightly, and the vacancy rate improved, indicating a healthy demand for high-quality spaces. This is driven by a notable “flight to quality” trend, where companies are moving to buildings with superior features.

## MANAGEMENT DISCUSSION AND ANALYSIS

In China, economy grew by 5.2% year-on-year in the second quarter of 2025, slightly lower than the 5.4% in the previous quarter. Although the second quarter growth was slower than that of the first quarter, the overall growth for first half of 2025 is still in line with the government target of 5%. To support growth, the People's Bank of China has maintained key lending rates at record lows. Recent data suggests a slowing decline in new home prices. A sustainable recovery will be dependent on the overall economy and consumer confidence improving. In the office sector, vacancy rate in Shanghai edged up in second quarter as new supply entered the market and pressuring rents. The authorities have begun taking steps to address the issue, primarily by scaling back commercial land sales, encouraging developers to return plots which have not started development, as well as promoting conversion of existing office stock to alternative uses. These actions will gradually reduce the volume of new office supply entering the market.

In Malaysia, Bank Negara Malaysia (BNM) has adjusted its 2025 GDP growth forecast to a more conservative range of 4.0% to 4.8% (from 4.5% to 5.5%), citing a slowing global economy. BNM reduced the Overnight Policy Rate (OPR) to 2.75% in July as a pre-emptive move to ensure the economy remains on a steady growth path amid moderate inflation pressure. The first quarter of 2025 saw a dip in the overall Malaysian property market, with transaction volumes declining by 6.2% and value by 9.0% year-on-year. The commercial office market in Greater Kuala Lumpur continues to face challenges. The overall vacancy rate was 16.1% in the first quarter of 2025, with Kuala Lumpur City CBD seeing a vacancy rate of 19.4%, which slightly narrowed to 19.2% in the second quarter of 2025.

Lentor Central Residences, Singapore (Artistic Impression)



# MANAGEMENT DISCUSSION AND ANALYSIS

## HOSPITALITY AND LEISURE



The Lawn, The Tower Hotel, 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 GBP43.8 million (approximately HK\$447.6 million) for the year ended 30 June 2025, compared to GBP39.2 million (approximately HK\$385.9 million) for the prior year.

The London hotel market has been challenging in the current financial year as average room rates normalised post-pandemic with pent up demand eased. Nevertheless, CHG outperformed the market and maintained its group average room rate. By implementing a volume strategy to boost occupancy, the business successfully countered rate pressures and drove good revenue growth. CHG’s leverage in scale efficiencies at high occupancy levels, particularly in labour, has helped to offset wage inflation. Furthermore, the business has remained committed to cost control, which emphasises operational efficiency in its hotels. These measures have effectively balanced out higher labour and energy expenses as a result.

CHG remains cash generative and further reduced its external debt in the year, which now sits at less than a third of the total from three years ago. At the same time, CHG has increased investment in hotel infrastructure to ensure the estate is well maintained and compliant.

Targeted returning investments have also been made, with refurbished food and beverage outlets driving incremental revenue in the year. The business continues to work on larger projects, with refurbishments of meeting and event spaces and bedrooms expected to complete in the coming financial year.

CHG has made significant progress on IT projects during the year, introducing a new revenue management system to optimise pricing and yielding strategies, and a new purchasing system that enhances procurement control. CHG is also ramping up its investments in automation and AI technologies to enhance guest experience and drive efficiency.

In the year, CHG once more earned acclaim as one of the UK’s Best Workplaces 2025 by Great Place To Work. 83% of all employees expressed that the company is a great place to work, contrasting to the 54% average among employees at typical UK-based companies. This recognition not only reflects high levels of employee engagement and retention, but also supports the recruitment efforts of the business in the face of a persistently competitive labour market.

Looking ahead to the current financial year and beyond, there is cautious optimism about the outlook of the London market. Despite cost challenges are anticipated, the business is in a good position to leverage emerging opportunities to drive future growth.



The Gladstone Library, The Royal Horseguards Hotel, UK

# MANAGEMENT DISCUSSION AND ANALYSIS

## The Rank Group Plc (“Rank”)

Rank’s net gaming revenue increased by 8% to GBP795.4 million (approximately HK\$8,129.1 million) for the year ended 30 June 2025 due to growth across the business units. Operating profit increased by 128% to GBP67.0 million (approximately HK\$684.7 million), reflecting the operating leverage in the business.

The number of customer visits to Grosvenor venues increased by 3% and the spend per visit also increased by 11%. The business saw an increase in table margin in the year as a result of continued benefits from the investment in both table equipment and table management system being progressively rolled out. For Mecca venues, the number of customer visits were flat compared to the prior year and the spend per visit increased by 5%. In Spain, the number of customer visits to Enracha venues increased by 3% and the spend per visit increased by 6%.

## Grosvenor Casinos



## Mecca

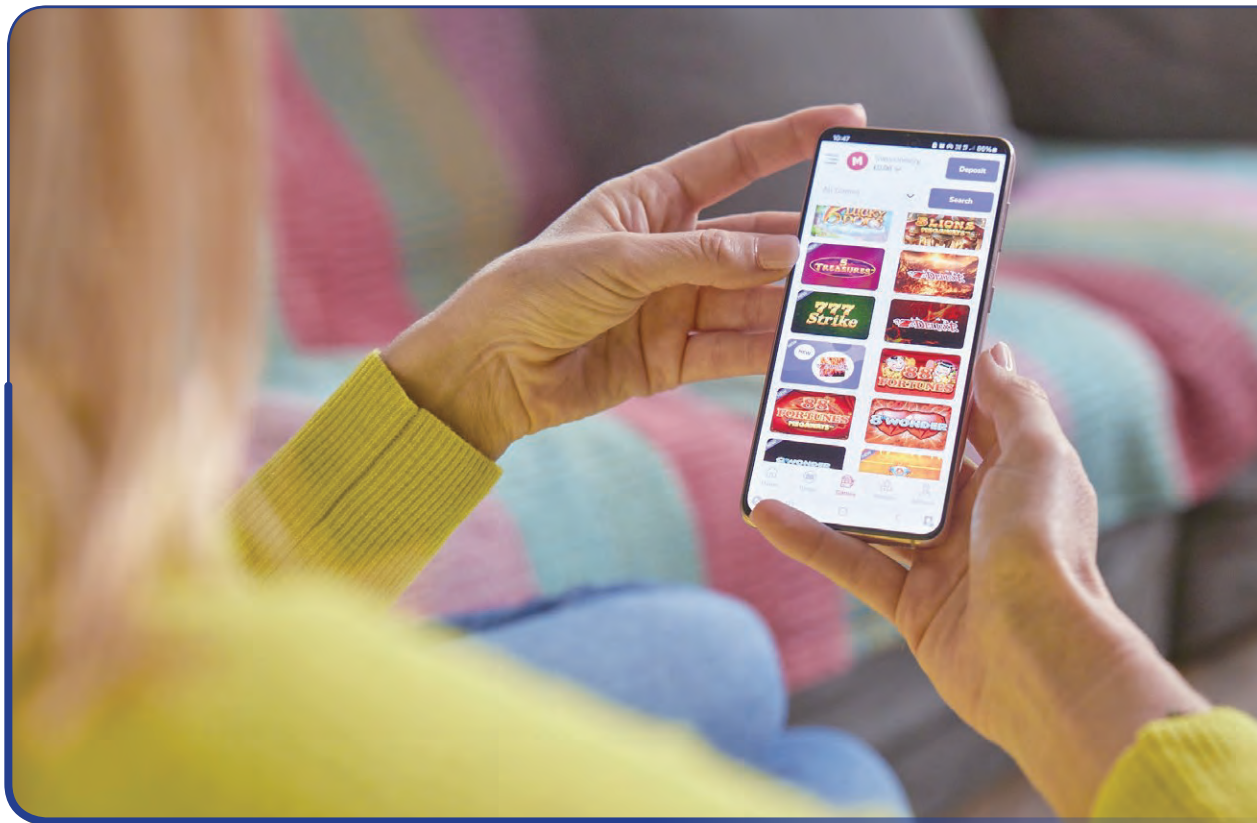


## Enracha



## MANAGEMENT DISCUSSION AND ANALYSIS

The digital business continued to perform strongly with robust growth in Grosvenor and Mecca cross-channel brands. Grosvenor and Mecca cross-channel brands recorded an increase of 22% and 11% in net gaming revenue respectively. The revenue growth in our UK core businesses was powered by the continued investment in technology, enabling our market leading proprietary platform to host seamless and tailored cross-channel experiences for our customers. The strong operating leverage in the digital business ensures that as revenues increase, profit improves materially.



Rank is growing profitability and have a strong net cash position which will enable both continued investment and progressive dividend returns for our shareholders. With the long-awaited legislative reforms for casinos now delivered, the business is at an exciting inflection point. The Grosvenor business will benefit from the higher gaming machine allocations and the introduction of sports betting which will better meet existing customer needs and increase the attractiveness of casinos to a broader base of consumers. The bingo businesses continue to strengthen as we invest in the quality and value of the customer offering. Rank has a very strong roadmap of opportunity to build further success over the coming years.

### Digital



# 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 RM6,102.7 million (approximately HK\$10,978.3 million) for the year ended 30 June 2025, an increase of 4% from RM5,845.6 million (approximately HK\$9,730.8 million) in the prior year. The increase was due to higher contribution from banking divisions and insurance divisions.

Hong Leong Bank Group recorded an increase of 4% in profit before tax, amounting to RM5,360.3 million (approximately HK\$9,642.8 million) for the year ended 30 June 2025 as compared to RM5,134.2 million (approximately HK\$8,546.6 million) in the prior year. The increase was mainly due to an increase in revenue of RM627.0 million (approximately HK\$1,127.9 million) and an increase in write back of impairment losses of RM270.4 million (approximately HK\$486.4 million). The profit growth, however, was offset by an increase in operating expenses of RM140.3 million (approximately HK\$252.4 million), a decrease in share of profit from associated company of RM123.4 million (approximately HK\$222.0 million) and dilution loss from associated companies of RM407.6 million (approximately HK\$733.2 million).

HLA Holdings Group recorded a profit before tax of RM667.2 million (approximately HK\$1,200.2 million) for the year ended 30 June 2025, an increase of 10% as compared to RM606.2 million (approximately HK\$1,090.5 million) in the prior year. The increase was mainly due to an increase in insurance service results of RM106.7 million (approximately HK\$192.0 million). The increase, however, was offset by a decrease in share of profit from an associated company of RM24.8 million (approximately HK\$44.6 million) and lower net investment income and others of RM20.9 million (approximately HK\$37.6 million).

Hong Leong Capital Group recorded a profit before tax of RM78.5 million (approximately HK\$141.2 million) for the year ended 30 June 2025, a decrease of 36% as compared to RM121.9 million (approximately HK\$202.9 million) in the prior year. This was mainly due to lower 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 a decline in its results compared to the prior year. This was primarily due to the loss of a key customer and continued pricing pressures in core international markets. Despite this, MHNZ maintained the elevated gross margins percentage achieved in the prior year, reflecting the focus on premium product mix, pricing discipline, and brand positioning. The business remains committed to improving sustainable growth through its premium product strategy, operational efficiency, and focused investment in high-value channels.

The Bass Strait oil and gas business saw a slight improvement in its results for the year ended 30 June 2025 due to an increase in extraction volume of hydrocarbons.

## GROUP FINANCIAL COMMENTARY

### Financial Results

The Group recorded an audited consolidated profit attributable to shareholders of HK\$4,030.7 million for the year ended 30 June 2025, representing an increase of 13% versus the prior year. This is mainly attributable to the favourable performances of most of the Group's segments, partially offset by reduced profit in Property Development and Investment segment and Others segment. Basic earnings per share amounted to HK\$12.39 as compared to HK\$11.01 in the prior year.

For the year ended 30 June 2025, 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\$2,403.3 million, HK\$258.4 million, HK\$1,102.9 million, HK\$1,485.3 million and HK\$10.0 million respectively. Overall, the audited consolidated profit before taxation of the Group increased by 19% to HK\$5,259.9 million for the year ended 30 June 2025.

The Group's revenue for the year ended 30 June 2025 increased by 9% to HK\$24.4 billion, primarily due to an increase of HK\$1.2 billion in revenue from the Hospitality and Leisure segment, arising from the continued growth of the business in the current year. In addition, an increase of HK\$0.8 billion in revenue from the Property Development and Investment segment, attributable to the robust sales and higher progressive recognition of sales from residential projects in Singapore, also contributed to the Group's revenue growth.

### Capital Management

The consolidated total equity attributable to shareholders of the Company as at 30 June 2025 amounted to HK\$68.7 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\$13.7 billion. The equity-debt ratio was 83:17 as at 30 June 2025.

### Liquidity and Financial Resources

The Group's total cash and short-term funds as well as trading financial assets were mostly denominated in USD (37%), HKD (25%), SGD (14%), RMB (10%) and GBP (5%) as at 30 June 2025.

The Group's total bank loans and other borrowings amounted to HK\$39.3 billion as at 30 June 2025, and were mostly denominated in SGD (76%), RMB (8%), HKD (7%), USD (5%), and GBP (2%). The Group has borrowings of HK\$10.4 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\$46.9 billion at year end.

Committed borrowing facilities available to the Group and not yet drawn as at 30 June 2025 amounted to approximately HK\$13.7 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 2025, approximately 79% of the Group's bank loans and other borrowings carried interest at floating rates and the remaining 21% carried interest at fixed rates. The Group had outstanding interest rate contracts with a notional amount of HK\$3.9 billion.

### Foreign Currency Exposure

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

As at 30 June 2025, there were outstanding foreign exchange contracts with a total notional amount of HK\$4.0 billion entered into by the Group to primarily hedge foreign currency equity investments.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Equity Price Exposure

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

## PRINCIPAL INVESTMENT OBJECTIVE, CONTROLS AND OVERSIGHT

### Investment Objective

The objective of the Group's Principal Investment is to produce attractive risk weighted returns and create capital growth through equity and direct investments in global capital markets. The investment strategy of the Group primarily focuses on investing in listed equities of high-quality companies which are expected to create shareholder value over the long term. In seeking to achieve the investment objective, the investment approach adopted is based on a bottom-up fundamental-based stock picking process, which prioritises the assessment of fundamental business aspects of companies in order to identify high quality companies that are expected to bring sustainability of earning growth and create shareholder value over the long term (the "investment lens").

The investment portfolios mainly comprise listed equities in recognised stock exchanges which are selected based on certain quantitative metrics and qualitative insights pursuant to the investment lens and other criteria including but not limited to capitalisation and liquidity.

GuoLine Advisory Pte. Ltd. ("GAPL"), comprising well-trained and experienced professionals, was appointed to manage the discretionary portfolio assigned by the Group and also provide investment advice to facilitate the management of the propriety investments.

### Risk Management and Control Measures

The Group's Principal Investment activities are governed by Guoco Investment Operations Manual (the "Investment Manual") which is reviewed regularly from time to time.

Robust risk management and control mechanisms are in place to manage a variety of risks. The Group maintains a risk register which seeks to calibrate our assessment of risks on a regular basis. Investment restrictions and guidelines set out in the Investment Manual form an integral part of risk control. Specific limits are set to control risks (e.g. permissible asset type, asset allocation, etc.). Different types of risks including market volatility, counterparty, foreign exchange, interest rate and liquidity risks are continuously monitored by GAPL and/or treasury team. Please refer to note 38 to the Financial Statements in this annual report for more details.

## Approval and Oversight Mechanisms

The Board Investment Committee ("BIC"), comprising the Executive Chairman and the Executive Director and CEO, has the overall responsibility for overseeing the investment activities of the Group and the related risk policies and controls.

Members of the BIC and GAPL meet every month to review markets and portfolio activities, evaluate new investment ideas and monitor existing investments, and for GAPL to make recommendations to the BIC on equity investment matters. Other than monthly meetings, members of the BIC maintain ongoing dialogue with GAPL, undertaking investment decisions and recommendations in response to the changing market conditions when and where required.

The management receives daily investment portfolio reports from the custodian bank for monitoring and reviewing the discretionary portfolio managed by GAPL.

## HUMAN RESOURCES AND TRAINING

As at the year end, the Group had around 10,900 employees<sup>Note</sup>. The Group continued to seek an optimal workforce. It is committed to providing its staff with ongoing development programmes to enhance productivity and work quality.

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

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