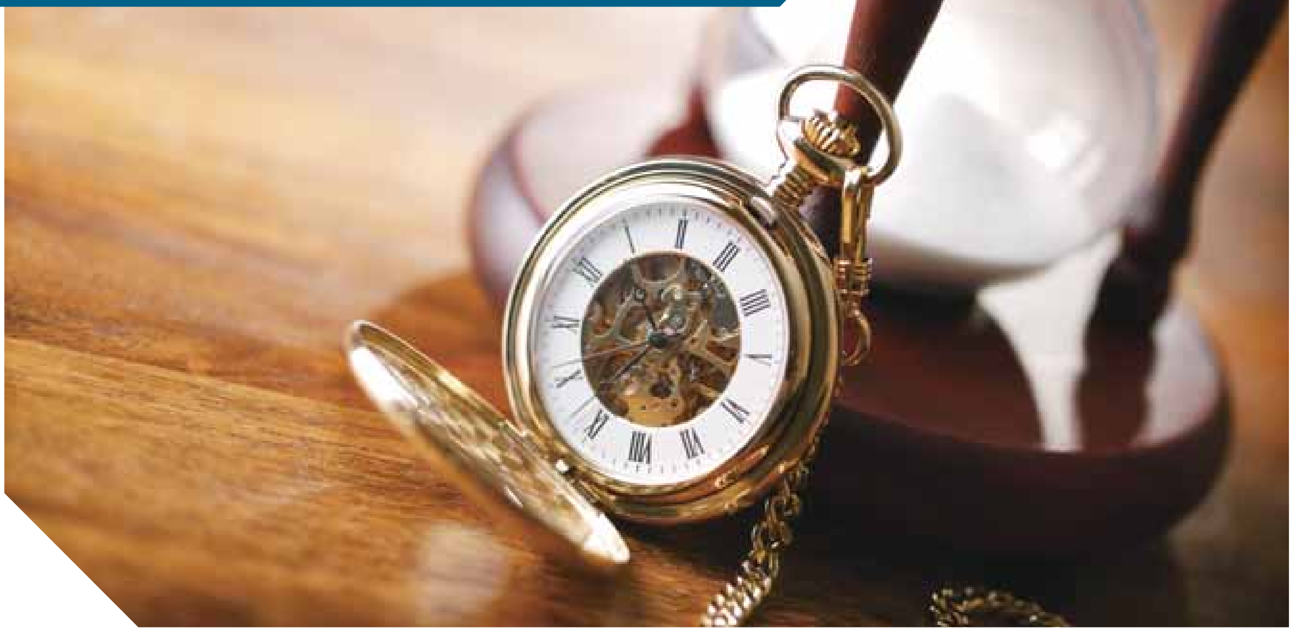
CHAIRMAN'S STATEMENT

"We will remain vigilant and disciplined in managing our core businesses and investments. We will guard against exuberance and remain cautious to pursue a prudent growth strategy and maintain profitability."



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 2017.

OVERVIEW

It was noted in the previous Chairman's Statement that the ensuing twelve months would be volatile, framed by political uncertainties following the Brexit vote and with the onset of the US and major European government elections, the imminent rise of interest rates and an US equity market entering an unprecedented stretch of bullish rise.

As it turned out, the Republican sweep of the US presidential and congressional elections in November sparked investor expectations upward with the US economy continuing to grow at a moderate pace as reflected by new jobs created.

Europe had an early setback as the Brexit vote continued to reverberate across the region. The possibility of an end to a decade of quantitative easing and negative interest rates in Europe rekindled investor interest and strengthened the conviction of sustained economic recovery. After expanding its balance sheet multiple-fold in the last four years, the Bank of Japan finally saw signs of a successful battle in ending deflation. Consumer confidence appeared to be creeping up and setting the stage for rising domestic consumption. China's economy looked to have settled down to a sub-7% GDP growth level after a period of digestion of excess capacity and an extended campaign to purge corruption and excessive leverage.

Amidst an eventful year, our Principal Investment Business registered a satisfactory profit, thanks to the rally of our targeted markets and our investment strategies. Other core businesses have achieved steadfast progress to realise their business plans and delivered a fair set of profitable results.

FINANCIAL RESULTS

The Group's consolidated profit attributable to equity shareholders for the financial year, after taxation and non-controlling interests, amounted to HK$6.1 billion, as compared to HK$3.1 billion for the previous year, mainly due to substantial contribution from Principal Investment during the year.

In addition to the interim dividend of HK$1.00 per share already paid, the directors will be recommending a final dividend of HK$3.00 per share (2016: HK$3.00 per share) at the forthcoming Annual General Meeting. This gives a total dividend of HK$4.00 per share, maintaining our steady and healthy trend of dividend payout to shareholders.

CORE BUSINESSES

Principal Investment

Our investment strategy of identifying under-valued stocks and our focus on China and Japan markets have yielded positive results. We took advantage of dips in the stock markets and private placements to add to our positions in selected counters. Our portfolio generated a creditable return and we crystallized some of our capital gains toward the end of our financial year.

Low growth in profit and rising equity prices raised the global stock market valuations to above historical averages. The current rich market valuations can only be justified with above trend earnings growth. Otherwise, a corrective phase may ensue. We will continue to search for mis-priced investment opportunities to enrich our shareholders without compromising our risk tolerance.

Property Development and Investment

GuocoLand Limited ("GuocoLand")

Growth in Asia continued to moderate in the year under review. Sentiments in the embedded property markets of GuocoLand remained weak and buyers were in a generally cautious mood. Despite the challenging operating environment, GuocoLand reported a profit attributable to shareholders for the year of approximately S$317 million as compared to S$607 million recorded in the previous year. Stripping off the one-time gain from the sale of the Dongzhimen project last year, GuocoLand achieved growth in profit this financial year.

GuocoLand continued to execute on its strategic plans in FY2016/17 to sustain future growth and diversify its income stream. Tanjong Pagar Centre in Singapore and Damansara City in Kuala Lumpur, the integrated development projects comprising office, residential, hotel and retail components, have commenced operations in phases during the year. Healthy lease commitment levels have been achieved at these properties, and will contribute to enhance its recurring income base going forward.

During the year, GuocoLand progressed to monetize its inventories to bring development income. Sale of residential units of Sims Urban Oasis and Leedon in Singapore, the luxury condominium blocks of Damansara City in Malaysia and the Changfeng Residence in Shanghai featured during the year. In addition, GuocoLand had recently launched its luxury residential component of Tanjong Pagar Centre, Wallich Residence, and another high-end condominium project, Martin Modern, in Singapore. To maintain a steady supply of property development projects in the pipeline, GuocoLand made selective land acquisitions in Singapore, Chongqing in China and Malaysia in FY2016/17. These would potentially provide 9 million square feet of gross floor area.

GuocoLand marked its expansion into the residential property development markets in the UK and Australia through an investment of 27% interest in Eco World International Berhad ("EWI") which made its trading debut on Bursa Malaysia in April 2017. The occasion marked the beginning of a strategic partnership with Eco World Development Group Berhad ("EWD"), a leading property developer listed on Bursa Malaysia. With the combined strengths and capabilities of GuocoLand and EWD, the collaboration will enable EWI to better compete and to handle bigger projects in these two markets.

GuocoLand's strategic goals remain to grow its business in a sustainable manner across geographies and property segments. While it will concentrate on development and sales of its current projects, it will work to scale up its existing investment property portfolio to grow its base of recurring income. Leveraging on its strong financial position and expertise in integrated development as exemplified by the very successful Tanjong Pagar Centre, Singapore, GuocoLand is positioned to capture investment opportunities which offer sustainable recurring returns and portfolio diversification.

Hospitality and Leisure

GL Limited ("GL")

GL experienced an eventful period in the financial year ended 30 June 2017. Geopolitical events in the UK resulted in the weakening of the GBP, which negatively impacted on GL's revenues reported in USD in its financial accounts. The UK continues to be on high alert against the threat of terror attacks, and financial markets continue to be volatile as the UK begins exit negotiations with the European Union.

In spite of the challenging environment, GL's efforts to transform GLH Hotels are paying off. The hotel division performed well in GBP terms, with group-wide RevPAR improving by 7% year-on-year, and a positive EBITDA growth excluding one-off events. These improvements were driven by higher room rates and better operating efficiencies resulting from continued investments to upgrade its properties, human resources and technology. GLH continues to focus on transforming its portfolio in London and is on track to launch the Hard Rock Hotel London in FY2018/19.

The London hospitality market has shown resilience going into the next financial year with occupancy rates expected to remain stable in spite of additional room supply. The weaker GBP is expected to give a boost to international leisure travel into London and bolster domestic travel. However, this will be tempered by uncertainties around the full impact of Brexit, the continued threat of terror attacks and an expected increase in room supply. Given its financial strength, GL will continue to maintain a conservative debt-to-equity ratio and will remain committed to its hotel strategy in the UK.

The Rank Group Plc ("Rank")

Rank made significant progress towards its strategic objective in delivering a compelling multi-channel offer with digital capability and technology to drive efficiency and enhance customer experience.

While Rank registered a revenue marginally up on the prior year, the digital business delivered an impressive rise in revenue of 15%, mitigating the 3% drop in revenue of venue business adversely affected by declines in venue visits. Notwithstanding the headwind of cost inflation following the introduction of the National Living Wage and increased property costs, Rank successfully managed its total costs in line with the prior year following a detailed review of its organisational structure and cost base. It ended the year with a 1% increase in its overall operating profit.

Rank is in a strong financial position, possesses market-leading brands with multi-channel distribution and has a clear strategy for sustained long-term growth.

Financial Services

Hong Leong Financial Group Berhad ("HLFG")

HLFG achieved satisfactory financial results for the year, reflecting the multiple business initiatives undertaken in its operating businesses amidst a challenging economic environment. Business growth remains intact and more importantly, its core businesses continue to show strong credit and liquidity metrics, giving it resilience in such uncertain times.

It will continue to execute its business strategies in tandem with its digital plans to build sustainable long term value.

GROUP OUTLOOK

Global economic growth remains below trend. There is room for faster growth in all the major economies as tax and structural reforms may provide further impetus for a sustained economic expansion. However, the odds of a continued and sustained rise in the major equity markets may be stretched as the current bull cycle begins its ninth consecutive year. Therefore, we will remain vigilant and disciplined in managing our core businesses and investments. We will guard against exuberance and remain cautious to pursue a prudent growth strategy and maintain profitability. Shareholders should be mindful that our Principal Investment results are marked-to-market and will therefore remain volatile.

GROUP HUMAN RESOURCES

Human capital is pivotal to our performance and continued success. We are committed to the development of our people and to fair employment practices. Employee-centric initiatives are in place to ensure our competitiveness to attract and retain good competent managers. Ongoing talent development is directed at ensuring our internal bench strength remains robust. As our Group does well and grows, the benefits and rewards will accrue to those who contribute to making it happen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group sees Environmental, Social and Governance (ESG), or more precisely, sustainability, as an integral factor to its mission. We are committed to integrating ESG considerations in our business operations to bring long term value to our stakeholders. The Group's ESG key issues and initiatives are presented in the ESG Report enclosed in this Annual Report.

APPRECIATION

I am grateful to our fellow Directors for their continuous guidance and support. My special appreciation goes to our employees for their continued loyalty, diligence, professionalism and contributions to the Group. I also thank our business partners and shareholders for their support and trust.

Kwek Leng Hai
Executive Chairman
29 August 2017