

Chairman's Statement

Highlights

- Underlying earnings per share up 3%
- Improved contribution from Astra
- Strong performance across Direct Motor Interests
- Higher contribution from Other Interests



74%

Astra Honda Motor's motorcycle market share increased from 69% to 74%

“The outlook for 2017 appears positive as Astra should benefit from improving economic conditions in Indonesia and higher coal prices, while the Group's Direct Motor Interests and Other Interests are expected to perform satisfactorily.”

Ben Keswick, Chairman

Overview

The Group's results for the year were satisfactory. Improvements were seen in Astra's automotive, heavy equipment, mining contracting and agribusiness operations, offset in part by lower results from financial services due to a significant increase in loan provisions at Permata Bank. The Group's Direct Motor Interests and Other Interests both recorded higher contributions.

Performance

The Group's revenue for 2016 was US\$15.8 billion, little changed from the prior year. Underlying profit attributable to shareholders was 7% higher at US\$679 million, while underlying earnings per share rose 3% to US\$172, with the lower increase due to the effect of the rights issue in 2015. Profit attributable to shareholders was US\$702 million after accounting for a net non-trading profit of US\$23 million, due to a gain on sale of a property and investment property valuations. This compares to profit attributable to shareholders in 2015 of US\$691 million, which included a net non-trading gain of US\$59 million.

Astra's contribution to the Group's underlying profit of US\$500 million was up 6%. The Group's Direct Motor Interests contributed US\$167 million to the Group's underlying profit, up 18%, and its Other Interests contributed US\$33 million, 11% higher than in 2015.

The Board is recommending a final one-tier tax-exempt dividend of US\$56 per share (2015: US\$51 per share) which together with the interim dividend will produce a total dividend of US\$74 per share (2015: US\$69 per share).

Business Activities

Jardine Cycle & Carriage's ("J&C") strategy is to pursue the expansion of its business interests in Southeast Asia. This includes supporting the growth of Astra in both its existing operations and new businesses; strengthening its regional Direct Motor Interests, currently operating in Vietnam, Singapore, Malaysia, Indonesia and Myanmar; and developing its Other Interests by investing in market-leading companies that provide exposure to new business sectors in regional economies.

Chairman's Statement

Astra

During the year, Astra consolidated its real estate interests into a new property division to give greater focus to this sector. The current projects comprise the Anandamaya Residences, Astra's 60%-owned luxury residential development in Jakarta's Central Business District, and the adjacent grade A office tower, Menara Astra. In October 2016, PT Astra Land Indonesia, owned 50% by Astra and 50% by Hongkong Land, signed an agreement with a subsidiary of PT Modernland Realty Tbk to acquire and jointly develop a 67-hectare site in Cakung in East Jakarta.

In order to further strengthen its capital base, Astra's 44.6%-held joint venture, Permata Bank is planning a US\$220 million rights issue in the first half of 2017, of which US\$110 million has been injected as a capital advance by Astra and Standard Chartered Bank, its two major shareholders. Combined with the US\$420 million rights issue completed by the bank in June 2016, this raises some US\$640 million of new capital.

Direct Motor Interests

In 2016, Dai Quang Minh Real Estate Investment Joint Stock Company ("DQM") became a subsidiary of the Group's 25.1%-held associate, Truong Hai Auto Corporation. DQM is a real estate company that is developing 1.3 million sq. m. of land within the prime Thu Thiem New Urban Area, District 2, in Ho Chi Minh City. The project is a mixed-use development of residential and commercial buildings, a marina, nature parks and other amenities. In December 2016, DQM recognised an initial profit arising on units sold at its completed development properties.

The Group's 59.1%-owned Malaysian subsidiary, Cycle & Carriage Bintang Berhad ("CCB"), continued its Mercedes-Benz dealership network upgrade and expansion to 12 outlets in West Malaysia. In January 2017, CCB announced a proposed US\$14 million acquisition of a strategically located 4,240 sq. m. site at Sungei Besi, Kuala Lumpur, to establish a new Autohaus.

In December 2016, JC&C increased its interest in PT Tunas Ridean Tbk from 43.8% to 44.4%.

Other Interests

Siam City Cement Public Company Limited ("SCCC"), in which JC&C holds a 24.9% interest, has expanded its regional footprint to Bangladesh, Sri Lanka and Vietnam through strategic acquisitions at a cost of some US\$1.0 billion. In February 2017, SCCC announced a rights issue of approximately US\$480 million to reduce loans used to fund these acquisitions.

The Group's 22.9%-held Refrigeration Electrical Engineering Corporation ("REE") is expanding its property interests with the construction of a new office tower due for completion by the end of 2017. The new building will increase REE's total lettable space from 106,000 sq. m to 140,000 sq. m.

People

Despite facing challenging economic conditions, the Group achieved a good result in 2016 thanks to the commitment and hard work of its 240,000 employees across the region. On behalf of the Board, I would like to thank them for their contributions.



A strong staff strength of 240,000 people



Astra consolidated its real estate interests into a new property division



Cycle & Carriage Bintang continued its dealership network upgrade and expansion



Siam City Cement expanded its regional footprint at a cost of some US\$1.0 billion

Tan Sri Azlan Zainol will be retiring as director of the Company at the upcoming Annual General Meeting in April 2017 after 13 years on the Board. On behalf of the Board, I would like to record our appreciation and thank Tan Sri Azlan for his valuable contribution to the Group.

I am delighted to welcome Ms Vimala Menon who will join the Board in April 2017 and also serve as a member on the Audit Committee. Ms Menon has extensive knowledge and experience in finance and corporate services, and has previously served as a director of the Company and a commissioner of Astra.

Outlook

The outlook for 2017 appears positive as Astra should benefit from improving economic conditions in Indonesia and higher coal prices, while the Group's Direct Motor Interests and Other Interests are expected to perform satisfactorily.

Ben Keswick

Chairman
27th February 2017