

# STRENGTH IN DIVERSITY





# MANAGING DIRECTOR'S REPORT

I am pleased to report that Far East Consortium International Limited achieved another record year in the financial year ended 31 March 2014 with revenue of approximately HK\$4.1 billion. Net profit attributable to shareholders reached HK\$914 million, an increase of 1.2% as compared with last financial year ended 31 March 2013. Adjusting for a net tax write back of HK\$144 million in the last financial year, profit attributable to shareholders increased by 20.4% for the financial year ended 31 March 2014.

Earnings per share for the financial year ended 31 March 2014 was HK51 cents, an increase of 2.0% as compared with last financial year. The growth in earnings enables the board to declare a higher final dividend of HK12 cents per share; taking the total for the financial year ended 31 March 2014 to HK15 cents per share, an increase of 15.3%, compared with HK13 cents for the last financial year ended 31 March 2013.

Dorsett recorded a hotel revaluation surplus (before minority interest) of approximately HK\$11.0 billion (HK\$9.5 billion as at 31 March 2013). This is attributable, in part, to the completion of Dorsett Tsuen Wan in Hong Kong during the year. As hotel assets were recorded at cost, the revaluation surplus was not recognized in the Company's consolidated financial statements. Adjusting for hotel revaluation surplus and minority interest, net asset value per share reached HK\$9.12, representing an increase of 7.9% as compared with HK\$8.45 as at 31 March 2013.



# MANAGING DIRECTOR'S REPORT

Consistent with the development of the Group's business, its asset value grew further as compared with that as at 31 March 2013. Adjusting for hotel revaluation surplus, total assets reached HK\$32.9 billion and net asset reached HK\$20.9 billion, representing an increase of 14.1% and 12.3% respectively as compared with that as at 31 March 2013. Despite the growth in development pipeline and asset base, the Group maintained a healthy net gearing ratio of 31.7%<sup>(i)</sup> as at 31 March 2014 (24.1% as at 31 March 2013).

The Group's strategy of achieving a balanced business portfolio is taking shape, with hotel division accounting for approximately 31.7% of consolidated revenue, property development 51.3%, and car park division 15.1%.

## PROPERTY DEVELOPMENT DIVISION

The Property Development Division recorded revenue of approximately HK\$2.1 billion (including sales in connection with Dorsett Residences Singapore of HK\$498 million which was part of Dorsett's revenue) for the financial year ended 31 March 2014.

During the financial year ended 31 March 2014, the Group launched 4 projects in total. Total sellable floor areas amounted to approximately 1,000,000 sq. ft.. Among these projects are Manhattan at Upper West Side in Melbourne, 684 Clear Water Bay in Hong Kong and View Pavilion in Shanghai. The Group also soft launched Dorsett Residence Bukit Bintang in Kuala Lumpur. Together with the other launched projects, the cumulative contracted presale value amounted to approximately HK\$4.7 billion as at 31 March 2014.

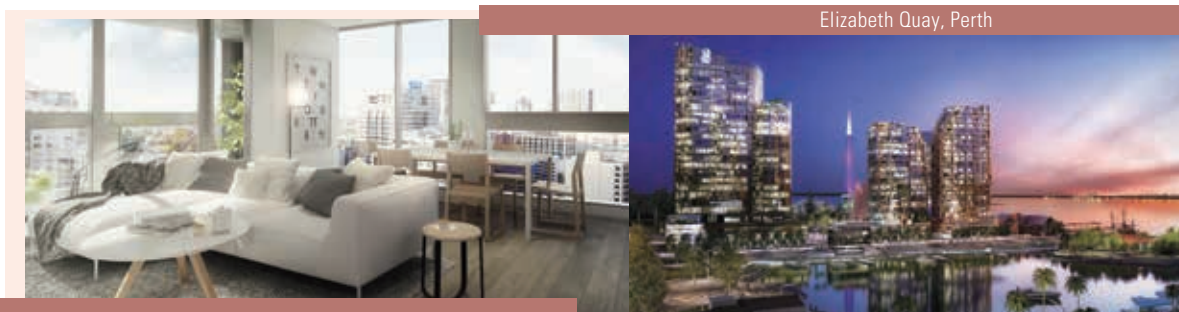
During Financial year ended 31 March 2014, the Group acquired the following 4 residential sites, of which total sellable floor areas added to the development pipeline is approximately 2.83 million sq. ft..

	Cost	Approximate Sellable Floor Area
The FIFTH site, Melbourne	AU\$10 million	280,000
250 Spencer Street, Melbourne	AU\$75 million	2,200,000
Sha Tau Kok site, Hong Kong	HK\$143 million	100,000
50 Marsh Wall, Canary Wharf, London	GBP16.65 million	250,000 <sup>(ii)</sup>

*Notes:*

(i) *Net gearing ratio calculated by dividing total debt and borrowings less cash and investment securities balances by carrying amount of total equity and revaluation surplus on hotel assets.*

(ii) *subject to planning approval*

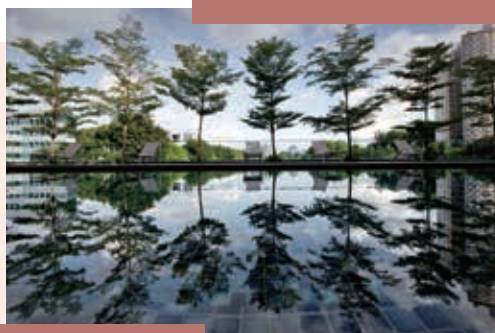


Elizabeth Quay, Perth

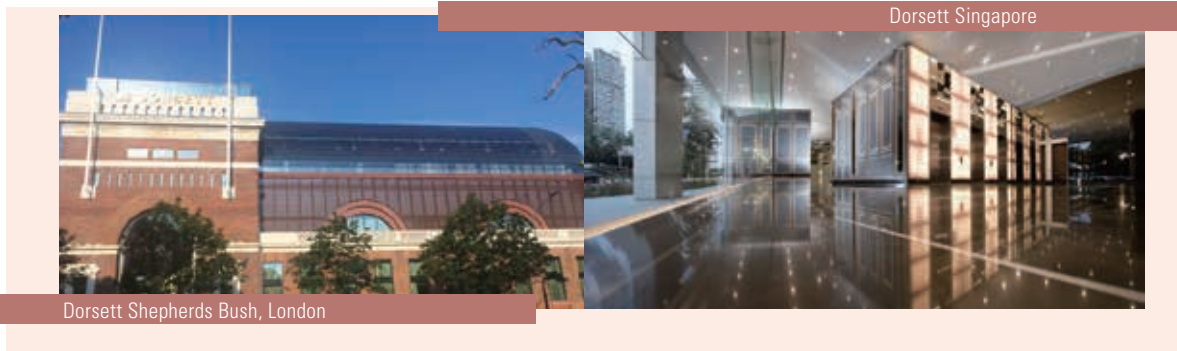
Post year end, the Group announced the hotel and residential development in Perth, known as Elizabeth Quay. The development will comprise a 200 rooms Ritz Carlton Hotel and residential apartments with sellable floor areas of approximately 320,000 sq. ft.. The Group also acquired 2 additional residential development sites which are located at Tai Wai, Hong Kong and at Manilla Street, Canary Wharf, London.

The Group's current development pipeline is very healthy and diversified. In the financial year ending 31 March 2015, the Group expects to launch 5 projects. These projects are Eivissa Crest (launched in June 2014) in Hong Kong, Phase 16 California Garden in Shanghai, Royal Riverside in Guangzhou, The FIFTH in Melbourne (launched in June 2014) and the residential development in the Elizabeth Quay site in Perth. The launches are subject to receiving the relevant authorities' presale consents and market conditions. Total sellable floor area of these 5 projects amounted to approximately 2 million sq. ft..

Consistent with the Group's overall strategic plan to expand its development pipeline and increase its recurring income base, on 23 June 2014, the Group signed a binding memorandum of understanding ("MOU") with Chow Tai Fook Enterprises Limited ("CTF") and Echo Entertainment Group Limited ("Echo") to create a consortium to bid for the development of an entertainment precinct and integrated resort at the Queen's Wharf Brisbane site in Australia. As part of the agreement, the Group and CTF will each contribute 25% of the capital to the development of the integrated resort, and together, will undertake the residential and related components of the development. Echo will contribute 50% of the capital of the integrated resort and act as the operator under a gaming operator agreement.



## MANAGING DIRECTOR'S REPORT (CONTINUED)



Dorsett Shepherds Bush, London

Dorsett Singapore

### HOTEL

The Group, through its 74.07% owned listed subsidiary, Dorsett Hospitality International Limited, (“Dorsett”, together with its subsidiaries, “Dorsett Group”) operates hotels business in Hong Kong, Malaysia, Mainland China, United Kingdom and Singapore.

The operational performance of Dorsett continued to record steady growth for the financial year ended 31 March 2014.

For the financial year ended 31 March 2014, Dorsett recorded revenue of approximately HK\$1.3 billion (excluding sales of HK\$498 million in connection with Dorsett Residences Singapore), representing an increase of 11.6% as compared with the last financial year.

For the financial year ended 31 March 2014, 57.0% of Dorsett’s revenues was generated from Hong Kong, a key market and an important revenue contributor. The overall hotel performance for the year was affected by an increase in hotel room supply in Hong Kong market and the renovation of the flagship hotels in Hong Kong, namely the Cosmopolitan Hotel and the Lan Kwai Fong Hotel@Kau U Fong.

Dorsett continued to expand its hotel portfolio and network coverage with new hotel sites added to its development pipeline. In August 2013, Dorsett acquired a hotel in Jiangxi province in Mainland China which is close to the famous tourist destinations Lushan National Park in Jiujiang city. The hotel commenced operation in June 2014. In September 2013, Dorsett further acquired the “Walkabout” pub and restaurant building, which is located next to the Dorsett Shepherds Bush in London. The building will be redeveloped into hotel suites to complement the operation of Dorsett Shepherds Bush which commenced operation in June 2014.

The Group continues to monitor the market and will apply its strategy of recycling capital by disposing smaller hotel should opportunities arise. The addition of new hotel rooms will continue to drive the growth to the Group’s recurring income business stream.

### CAR PARK AND FACILITY MANAGEMENT DIVISION

The division recorded a healthy organic growth with revenue increased by 8.1% to HK\$613 million.

As at 31 March 2014, the Group managed 21 self owned car parks with 5,700 car park bays and also managed 284 third party car parks with 47,700 car park bays.

The division is expanding its business to include facility and building management in Australia. During the financial year ended 31 March 2014, the Group obtained more than 10 building management contracts in Australia. The division is also exploring opportunities in Malaysia and recently signed a number of management contracts for car parks and retail facilities in the country. The division intends to further expand its operations geographically.

