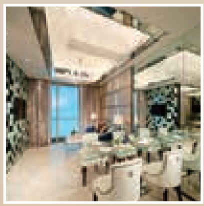
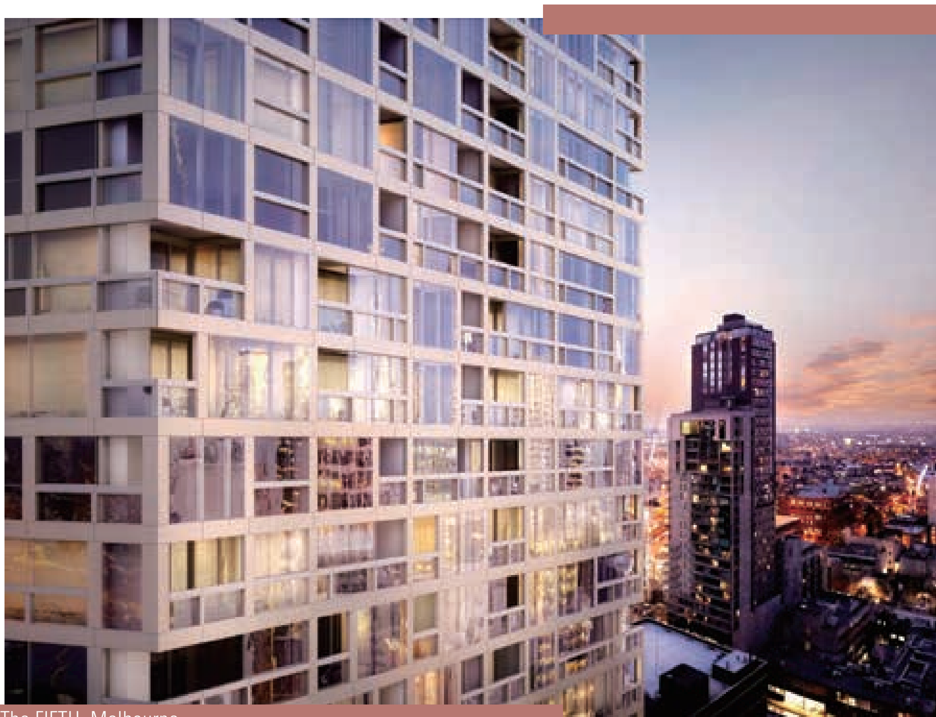
MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS



The FIFTH, Melbourne

FINANCIAL HIGHLIGHTS

- Revenue increased by 8.9% to approximately HK$4.1 billion and gross profits increased by 51.2% to approximately HK$1.6 billion.
- Cumulative contracted presale value of properties under development amounted to approximately HK$4.7 billion as at 31 March 2014.
- Net assets attributable to shareholders was HK$4.73 per share as at 31 March 2014. Adjusting for hotel revaluation surplus, net assets attributable to shareholders increased from HK$8.45 per share to HK$9.12 per share[i].
- Net gearing ratio was at 31.7%[i][ii] and total cash and investment securities balances was at approximately HK$3.2 billion as at 31 March 2014.
- Net profit attributable to shareholders increased by 1.2% to approximately HK$914 million. Earnings per share amounted to HK$0.51. Adjusting for a one-time net tax write back of HK$144 million for the year ended 31 March 2013, net profit attributable to shareholders increased by 20.4%.
- Final dividend of HK$0.12 per share was recommended for the year ended 31 March 2014 (2013: HK$0.11 per share).

Notes:

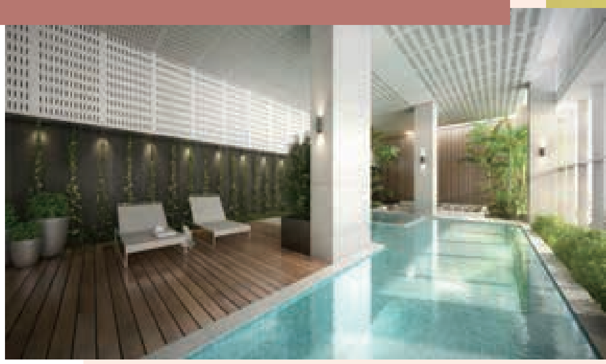
(i) Revaluation surplus on hotel assets of approximately HK$10,954 million as at 31 March 2014 (HK$9,459 million as at 31 March 2013) was not recognized in the Company's consolidated financial statements, but adjusted for calculation of net asset value per share and the net gearing ratio.

(ii) 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.

FINANCIAL REVIEW

	For the year ended 31 March 2014 HK$ million	2013 HK$ million	Change
Revenue			
Sales of properties	2,087	1,946	7.2%
Hotel operations and management	1,287	1,153	11.6%
Car park operations and facility management	613	567	8.1%
Leasing of properties	59	62	(4.8%)
Others	20	4	
Total Revenue	4,066	3,732	8.9%
Gross Profit			
Sales of properties	729	231	215.6%
Hotel operation and management	652	650	0.3%
Car park operations and facility management	129	112	15.2%
Leasing and others	43	34	26.5%
Total Gross Profit	1,553	1,027	51.2%
Profit before tax	1,246	1,024	21.7%
Profit attributable to shareholders	914	903	1.2%
Earnings per share	HK51 cents	HK50 cents	
Dividend per share	HK15 cents	HK13 cents	

Note: *Sales of properties was adjusted to include sales and gross profit margin in connection with Dorsett Residences Singapore of HK$498 million and of HK$147 millions respectively, which was part of Dorsett's revenue and gross profit.*



1. ANNUAL RESULTS

The Company's consolidated revenue for the financial year ended 31 March 2014 was approximately HK$4,066 million, an increase of 8.9% as compared with last financial year.

Revenue from sales of properties amounted to approximately HK$2,087 million for the financial year ended 31 March 2014, an increase of 7.2% as compared with last financial year. Dorsett Residences, Singapore, The Royal Crest, Shanghai, Upper West Side (Stage 2), Melbourne and the remaining units in Upper West Side (Stage 1), Melbourne contributed primarily to the sales of properties during the year.

Revenue from hotel operations and management contributed approximately HK$1,287 million to the Company's total revenue this year while car park operations and facility management contributed approximately HK$613 million to the Company's total revenue, an increase of 11.6% and 8.1% respectively compared to the last financial year. Revenue relating to property investment decreased by approximately HK$3 million.

Gross profit and net profit before tax of the Company for the financial year ended 31 March 2014 were approximately HK$1,553 million and HK$1,246 million respectively, an increase of 51.2% and 21.7% respectively as compared with last financial year.

Net profit attributable to shareholders of the Company for the financial year ended 31 March 2014 amounted to approximately HK$914 million, an increase of 1.2% as compared with last financial year.

For the financial year ended 31 March 2013, approximately HK$458 million gain was recognized from the disposal of a subsidiary holding Dorsett Hotel Kennedy Town, located in Hong Kong and there was a net tax write back of approximately HK$144 million. Neither item was repeated in the financial year ended 31 March 2014. Despite of these, the Group recorded an increase in net profit before tax and profit after tax primarily due to increase in completion of residential development projects and higher profit margin from residential development and a gain of approximately HK$259 million from the compulsory acquisition of Pearl's Centre, Singapore by the Singapore authority.

2. LIQUIDITY AND FINANCIAL RESOURCES

The following table sets out the Group's bank and cash balances, balances relating to investment securities (which were considered as cash equivalent items due to its easily-monetized nature), bank loans and borrowings and equity as at 31 March 2014.

	As at 31.3.2014 HK$ million	As at 31.3.2013 HK$ million
Bank loans, bonds and borrowings[i]		
Due within 1 year	2,848	3,636
Due 1 – 2 years	2,717	1,797
Due 2 – 3 years	2,881	1,756
Due more than 3 years	1,393	755
	9,839	7,944
Investment securities	(1,060)	(290)
Bank and cash balances	(2,147)	(3,167)
Net debts[ii]	6,632	4,487
Carrying amount of the total equity	9,951	9,150
Add: hotel revaluation surplus	10,954	9,459
Total equity adjusting for hotel revaluation surplus	20,905	18,609
Net gearing ratio	31.7%	24.1%

Notes:

(i) Based on scheduled repayment date set out in the loan agreement.

(ii) Total bank loans, bonds and borrowings less investment securities, bank and cash balances.

In order to better manage the Group's liquidity position, the Group allocated a portion of its cash position in marketable fixed income securities during the year. Investment securities shown on the consolidated statement of financial position represent primarily fixed income securities.

Adjusting for the unrecognized hotel revaluation surplus, the Group's total consolidated equity as at 31 March 2014 was approximately HK$20,905 million, an increase of 12.3% as compared with that as at 31 March 2013. Compared with the net debt as at 31 March 2014, the net gearing ratio of the Group was 31.7%.

The carrying amounts of the borrowings in the consolidated statement of financial position as at 31 March 2014 include an amount of approximately HK$1,463 million (as at 31 March 2013: HK$1,115 million) which were not repayable within one year. However, where counterparties have discretionary right to demand immediate repayment, such borrowings have been shown as current liabilities.

A number of residential projects are due for completion post financial year end and this has generated and will generate significant cashflow stream to the Group. Together with the available credit facilities, the Group believes that it has sufficient financial capacity to meet all the Group's funding and operational needs of its business.

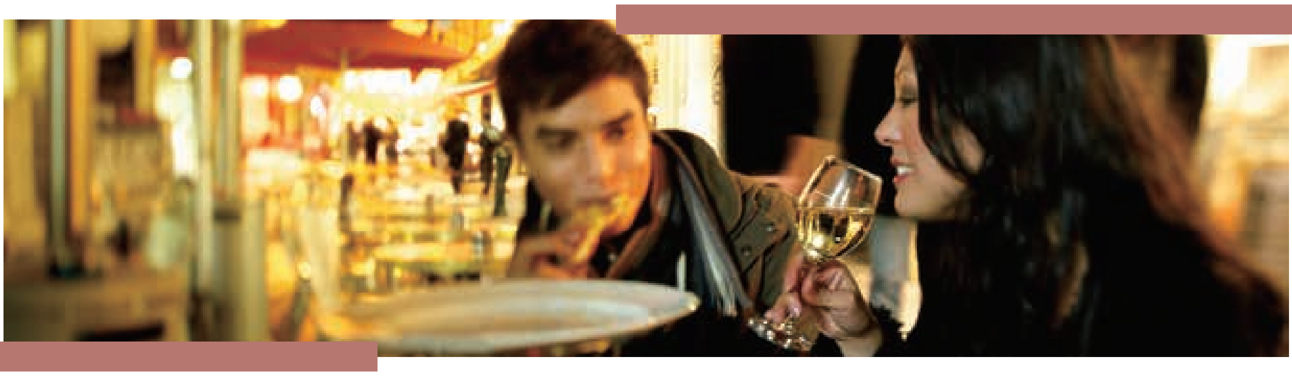
3. NET ASSET VALUE PER SHARE

	As at 31 March 2014 HK$ million	As at 31 March 2013 HK$ million
Equity attributable to shareholders of the Company	8,750	8,013
Add: Hotel revaluation surplus (adjusted for minority shareholders' interests)	8,114	6,929
Total net asset value	16,864	14,942
No. of shares issued (million)	1,850	1,769
Net asset value ("NAV") per share	HK$9.12	HK$8.45

Adjusting for revaluation surplus on hotel assets as at 31 March 2014 of approximately HK$10,954 million (HK$9,459 million as at 31 March 2013) and minority shareholders' interests, NAV per share for the Company as at 31 March 2014 was approximately HK$9.12.

4. CAPITAL COMMITMENTS

	For the year	
	2014	2013
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition, development and refurbishment of hotel properties	153,281	768,622
Others	107,679	12,180
	260,960	780,802
Capital expenditure authorised but not contracted for in respect of:		
Development and refurbishment of hotel properties	22,750	27,673
Others	16,474	16,474
	39,224	44,147
	300,184	824,949



BUSINESS REVIEW

1. PROPERTY DEVELOPMENT AND INVESTMENT

Property development and property investment is one of the Group's 3 core businesses.

The Group has a diversified portfolio in residential property development in Australia, Shanghai, Guangzhou, Hong Kong, London, Kuala Lumpur and Singapore. To carry out property developments in the various markets, the Group has established strong local teams in each of these markets. The regionalization approach to this business allows the Group to take advantage of the property cycles in the different market. This strategy has resulted in a relatively low land cost base for the Group's development projects. Most of the Group's property developments are focused in mass residential market where the Group can benefit from the growing affluence of the middle class.

During the financial year ended 31 March 2014, the Group acquired 4 residential development sites, namely (i) The FIFTH site and (ii) The 250 Spencer Street site, both of which are located in central business district of Melbourne adjacent to the Group's Upper West Side development, (iii) the Sha Tau Kok residential site, Hong Kong, which was acquired through a government tender and (iv) a residential development site in Marsh Wall, Canary Wharf, London. The 4 acquisitions, which amounted to approximately HK$1 billion, are expected to add approximately 4,000 apartments to the Group's development pipeline. As at 31 March 2014, the sellable floor areas in the Group's property development pipeline reached approximately 11 million sq. ft., which is sufficient for the Group's development in the coming 6 to 7 years. Post financial year end, the Group acquired 2 additional residential development sites which are located in Tai Wai, Hong Kong and in Manilla Street, Canary Wharf, London. The Group also reached an agreement to acquire a development site in Elizabeth Quay in Perth, Australia.

During the financial year ended 31 March 2014, the Group launched presales/soft marketing of 4 new residential development projects with total sellable floor areas of approximately 1 million sq. ft.. These projects are Upper West Side (Stage 4) in Melbourne, View Pavilion in Shanghai, Dorsett Residences Bukit Bintang in Kuala Lumpur and 684 Clearwater Bay Road in Hong Kong.

A subsidiary that owned 684 Clearwater Bay Road project was sold during the financial year and the gain was recognized as gain on disposal of a subsidiary during the financial year. As for Dorsett Residences Bukit Bintang, as only bookings for sale were taken during the soft marketing, no contracted presale was recorded. The Group expects actual presale will be recorded in the coming financial year.

A breakdown of contracted presale value of residential properties under development as at 31 March 2014 is set out below:

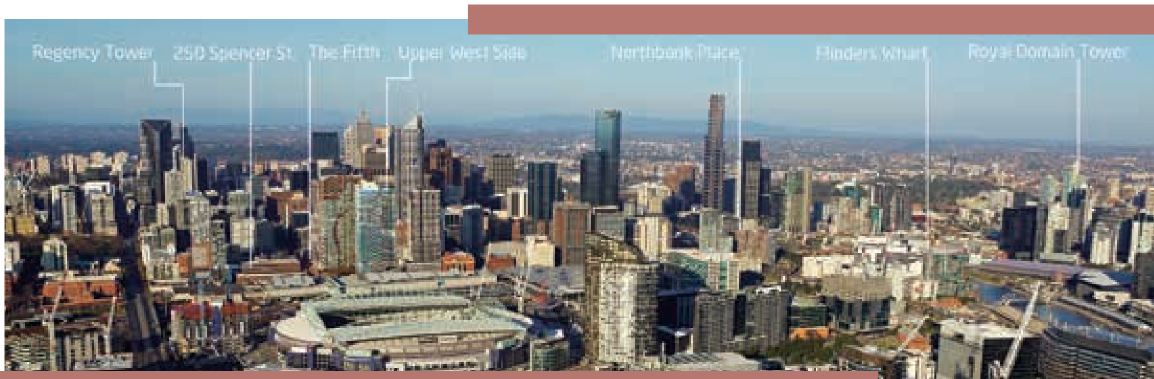
Developments	Location	Contracted presale value (HK$ million)
Upper West Side Stage 2	Melbourne	1,248
Upper West Side Stage 3	Melbourne	826
Upper West side Stage 4	Melbourne	1,512
Star Ruby	Hong Kong	518
Sevilla Crest	Hong Kong	206
View Pavilion	Shanghai	393
Total presale value as at 31 March 2014		4,703

Note: Dorsett Waterfront, Malaysia which is a joint venture arrangement is excluded from the table above.

As at 31 March 2014, total cumulative contracted presale value of residential properties underdevelopment amounted to approximately HK$4,703 million. Completion and delivery of the developments are expected to take place in the next 3 years. As revenue will only be recognized when sales of property development are completed, the above presale was not reflected in the consolidated income statement.

Currently the Group has a total of 22 active residential development projects with approximately 6.4 million sq. ft. in sellable floor areas under various stages of development across the regions.

Five new projects are earmarked for presale for the financial year ending 31 March 2015. These are (i) Eivissa Crest in Hong Kong, (ii) The FIFTH in Melbourne, (iii) Royal Riverside in Guangzhou, (iv) California Garden Phase 16 in Shanghai and (v) the residential development in the Elizabeth Quay Site in Perth. Total sellable areas of these 5 projects are expected to be approximately 2 million sq. ft.. Together with the inventory in the launched projects, total value of sellable units amounted to approximately HK$17 billion.



250 Spencer Street, Melbourne

Australia

Upper West Side project is a high rise residential development, located at central business district in Melbourne phased in 4 stages. Stage 1 was completed in financial year ended 31 March 2013. Stage 2 ("Madison at Upper West Side") consisting 584 apartments have been sold and handed over to purchasers starting from March 2014. Stage 3 ("Midtown at Upper West Side") and Stage 4 ("Manhattan at Upper West Side") consisting of 282 apartments and 641 apartments respectively are under construction and are expected to be completed in financial year ending 31 March 2016 and 2017 respectively. As at 31 March 2014, presale value of Stage 3 and Stage 4 were approximately HK$826 million and HK$1,512 million respectively, representing approximately 98% and 71% of the presale value of the developments respectively.

In April 2013, a piece of land (to be developed and named as "The FIFTH") with site area of approximately 12,000 sq. ft. adjacent to the current Upper West Side development was added to the residential development portfolio. The FIFTH has a total of approximate 400 apartments and the soft launch of the project has commenced.

In June 2013, the Group acquired another piece of land (known as The 250 Spencer Street Site), located next to the Upper West Side development with site area of approximately 1.176 hectare. The 250 Spencer Street Site is currently with a planning permit for residential development with a total sellable area of approximately 2.2 million sq. ft.. The project is expected to consist of approximately 3,000 residential apartments and will be developed in phases.

Post financial year end in June 2014, the Group was selected to be the developer of a prestigious residential and hotel project in Elizabeth Quay, Perth. The mixed use project is expected to consist of 2 towers comprising a 5 star Ritz Carlton hotel and residential and commercial units. Subject to planning permit approval, the residential component of the development is expected to consist of approximately 320,000 sq. ft. in sellable floor area.

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. Under the MOU, the consortium will develop and jointly submit a proposal for the Queen's Wharf Brisbane project. As part of the agreement, CTF and the Group will each contribute twenty five per cent of the capital to the development of the integrated resort and together, will also undertake the residential and related components of the broader Queen's Wharf Brisbane development. Echo will contribute fifty per cent of the capital to the development of the integrated resort and act as the operator under a long dated gaming operator agreement.

Mainland China

In Shanghai, California Garden is a township development, comprising a diversified portfolio of residences including low rise apartments, high rise apartments and town houses. During the financial year ended 31 March 2014, one of the phases in California Garden, namely The Royal Crest which consists of 288 residential apartments (approximately 270,000 sq. ft. in sellable area) was completed.

Currently, in California Garden, 3 residential developments consisting of approximately 1,000 units including residential apartments and town houses with total sellable area of approximately 1.3 million sq. ft. are under construction. View Pavilion which consists of 306 apartments was launched with the other phases (Phase 16 and The Royal Crest II) to be followed.

View Pavilion is expected to be completed in financial year ending 31 March 2015. As at 31 March 2014, the presale value of View Pavilion was approximately HK$393 million, representing approximately 37% of the development.

Phase 16 consists of 479 apartments and 90 town houses and The Royal Crest II consists of 180 apartments and 42 town houses. Phase 16 and The Royal Crest II are expected to be completed in financial year ending 31 March 2016 and 2017 respectively.

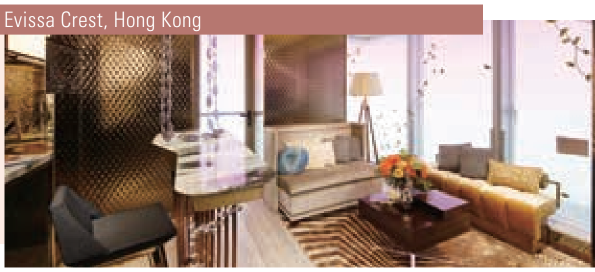
In Guangzhou, Royal Riverside is a 5 residential buildings development with approximately 600 high rise apartments. Total sellable area is approximately 700,000 sq. ft.. The development is expected to be completed in financial year ending 31 March 2016. Presale is expected to commence in financial year ending 31 March 2015.

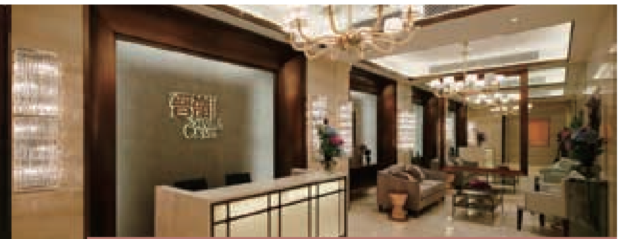
Phase 16, California Garden, Shanghai

View Pavilion, California Garden, Shanghai

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Evissa Crest, Hong Kong





Sevilla Crest, Hong Kong

Hong Kong

The Group has been actively building its development pipeline in Hong Kong. The Group continues to increase its land bank through acquisition of redevelopment sites as well as participating in government tender.

Following the acquisition of a residential redevelopment site in Wong Tai Sin, Kowloon which consists of approximately 70,000 sq. ft. in sellable floor area in November 2012, the Group acquired a residential development site located at Sha Tau Kok, New Territories through a government tender in October 2013 at the price of HK$143 million. This development consists of approximately 100,000 sq. ft. in sellable area with a plan of no less than 240 low rise apartments. Post financial year end in April 2014, the Group acquired another residential development site at Tai Wai through government tender at the price of HK$148 million. Gross floor areas of the Tai Wai development is approximately 47,000 sq. ft.. All of these newly acquired residential development sites are now under various stages of planning and development.

Star Ruby is a residential property development located at Hunghom, Kowloon. This development comprises of 124 high rise apartments with approximately 45,000 sq. ft. in sellable area. As at 31 March 2014, presale value reached approximately HK$518 million, representing approximately 75% of the development. Completion is expected to take place in financial year ending 31 March 2015.

Sevilla Crest is a residential property development located at Sham Shui Po, Kowloon. This residential development consists of approximately 30,000 sq. ft. in sellable floor area. As at 31 March 2014, presale value reached approximately HK$206 million, representing 42% of the development. Completion is expected to take place in financial year ending 31 March 2015.

Evissa Crest located at Hill Road, Hong Kong Island, consists of 106 residential apartments with approximately 36,000 sq. ft. in sellable floor area. The project was launched for presale in May 2014 and completion is expected to take place in financial year ending 31 March 2016.

A planning approval was obtained from Town Planning Board for a residential development located in Fung Lok Wai, Yuen Long in November 2013. This residential development consists of a total floor area of approximately 1.6 million sq. ft.. The Group has 25.33% interests in the development. This development is currently under planning stage.

Star Ruby, Hong Kong

Marsh Wall, London

London, United Kingdom

A residential development site in Marsh Wall, Canary Wharf was acquired in January 2014 at the price of GBP16.7 million. Subject to planning permit approval, the Group intends to build a residential tower with approximately 250,000 sq. ft. in sellable floor area on the site. In June 2014, the Group also entered into an agreement to acquire a site adjacent to the Marsh Wall site at the price of GBP6.5 million. Both sites are currently under planning stage. Leveraging on the momentum of the growth of the development pipeline and the expertise it has developed, the Group will continue to acquire and increase its landbank in London.

Malaysia

Dorsett Bukit Bintang is a residential development adjacent to Dorsett Regency Kuala Lumpur. This development, which consists of 252 high rise apartments with approximately 220,000 sq. ft. in sellable area, was soft launched in October 2013. Completion is expected to take place in financial year ending 31 March 2017.

Investment Properties

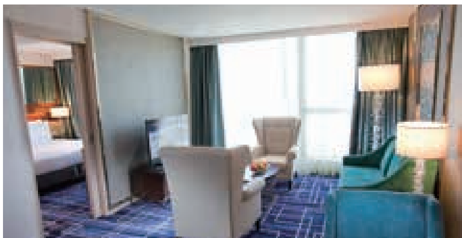
The Group's investment properties comprise mainly retail and office buildings located in Shanghai, Hong Kong and Australia. As at 31 March 2014, investment properties were valued at approximately HK$2.7 billion. A fair value gain of approximately HK$234 million was recorded in respect of the Group's investment properties during the financial year ended 31 March 2014. It was mainly attributable to the completion of retail properties located at Dorsett Residences in Singapore and stage 1 of Upper West Side in Melbourne, Australia.

Dorsett Bukit Bintang, Kuala Lumpur

2. HOTEL OPERATIONS AND MANAGEMENT – DORSETT HOSPITALITY INTERNATIONAL LIMITED

The Group, through its 74.07% owned listed subsidiary, Dorsett, operates its hotel business. The following table shows the operating data of its owned hotels during the financial year.

	For the year ended 31 March 2014	2013
Hong Kong		
Occupancy rate	93.9%	93.3%
Average room rate (HK$)	942	997
RevPAR (HK$)	885	930
Mainland China		
Occupancy rate	54.3%	70.2%
Average room rate (HK$)	573	549
RevPAR (HK$)	311	385
Malaysia		
Occupancy rate	68.8%	68.4%
Average room rate (HK$)	519	498
RevPAR (HK$)	357	341
Singapore		
Occupancy rate	67.2%	–
Average room rate (HK$)	1,275	–
RevPAR (HK$)	857	–
Group Total		
Occupancy rate	76.7%	81.5%
Average room rate (HK$)	786	799
RevPAR (HK$)	603	651



Dorsett Tsuen Wan, Hong Kong

Dorsett Singapore

Dorsett Grand Chengdu

For the financial year ended 31 March 2014, the average room rate ("ARR") of owned hotels in Hong Kong decreased by 5.5% while the occupancy ("OCC") recorded a marginal increase of 0.6% points. The revenue per available room ("RevPAR") was HK$885, down by 4.8% from the last financial year. Hong Kong is the key market and revenue contributor which was adversely affected mainly by increased supply of room inventories and the renovation of the flagship hotels in Hong Kong, namely the Cosmopolitan Hotel and the Lan Kwai Fong Hotel. Despite these challenges, concerted sales and marketing efforts to expand the distribution channel and the ongoing strategy to adjust its guest profile has enabled the operation in Hong Kong to withstand the pressure and the group is expected to continue to produce solid results.

In Mainland China, ARR increased by 4.4% but the OCC declined by 15.9% points for the financial year ended 31 March 2014, mainly due to the lower OCC of the newly opened Dorsett Grand Chengdu and hence the RevPAR declined by 19.2%. The Group expects that the operation of Dorsett Grand Chengdu will improve in the coming years and contribute positively to the overall performance of the region.

In Malaysia, RevPAR performance continued its momentum of steady growth by 4.7% to HK$357 largely attributable to the strong performance of Dorsett Grand Labuan and Dorsett Grand Subang. The OCC performance improved by 0.4% points to 68.8% and the ARR improved by 4.2% to HK$519 as compared with last financial year.

Dorsett Singapore was opened in the end of March 2013. RevPar reached HK$857. The OCC and ARR performance were 67.2% and HK$1,275 respectively. The Singapore performance had produced positive contributions to the Group for the year ended 31 March 2014 and the Group expects it will continue its strong contribution in the coming years.

Dorsett continued to expand its hotel portfolio and its network coverage.

In August 2013, Dorsett acquired a hotel property in Jiangxi province, Mainland China at the price of RMB176 million. The hotel property is located within the vicinity of the famous Lushan National Park in Jiujiang city, which is one of the most famous tourist destinations in Mainland China. The hotel consisting of 297 rooms commenced its operation in June 2014.

In line with Dorsett's "Chinese Wallet" strategy to capture the market share for the increasing outbound Chinese travelers, in September 2013, Dorsett acquired the "Walkabout" pub and restaurant building, which is located next to the Dorsett Shepherds Bush in London. Dorsett intended to convert the property into hotel rooms which would complement the operation of its Dorsett Shepherds Bush which consists of 317 rooms and commenced its operation in June 2014.

In Hong Kong, Dorsett Tsuen Wan commenced its operation in February 2014. The hotel consists of 547 rooms. As at 31 March 2014, Dorsett operated 18 owned hotels (9 in Hong Kong, 5 in Malaysia, 3 in Mainland China and 1 in Singapore) with approximately 5,400 rooms and had 7 owned hotels in the development pipeline (1 in Hong Kong, 3 in Mainland China, 3 in United Kingdom). When all the pipeline hotels became operational, the Group would operate 25 owned hotels with approximately 7,400 rooms.

As at 31 March 2014, Dorsett managed 2 third party hotels under management contracts in Hong Kong with approximately 237 rooms. In November 2013, Dorsett entered into management contracts to manage 4 hotels with total of approximately 1,000 rooms in Malaysia. The management contracts will provide the platform for further expansion of Dorsett Group's network in South East Asia and provide steady income stream in the future.

3. CAR PARK OPERATIONS AND FACILITY MANAGEMENT

The Group's car park and facility management business includes car park ownership and operations and property management services.

The division is involved in managing both third party owned car parks and self owned car parks. For the financial year ended 31 March 2014, revenue generated from this operations reached approximately HK$613 million, representing an increase of 8.1%, as compared with that of last financial year. The car park operations achieved steady growth and are expected to continue to contribute the recurring income of the Group.

As at 31 March 2014, the portfolio consisted 305 car parks with approximately 53,400 car parking bays under management. Of these, 21 were self owned car parks (19 in Australia and 2 in Kuala Lumpur) and comprises approximately 5,700 car parking bays (approximately 3,500 in Australia and 2,200 in Kuala Lumpur). The remaining car park portfolio consists of approximately 47,700 car park bays in Australia and New Zealand, which are under management contracts entered into with third party car park owners. Third-party owners included local governments, shopping malls, retailers, universities, airports, hotels, hospitals, government departments and commercial and office buildings.

During the financial year ended 31 March 2014, the Group added a net total of 26 car parks under management with an increase of approximately 3,300 car parking bays.

This division is expanding its geographical coverage which will strengthen the Group's recurring income business. During the financial year ended 31 March 2014, the division expanded its operation to include property management services via an acquisition of a Melbourne-based company. Currently the division has 10 property management contracts in Australia (mainly in Brisbane, Melbourne and Adelaide) and 1 contract in Johor Bahru, Malaysia.