

BRISBANE

— Queen's Wharf —



MANAGING DIRECTOR'S REPORT



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INTRODUCTION

FY2016 was a fruitful year for the Group. We completed a number of major initiatives which will have a long-term positive implication for the development of the Group. In summary, during FY2016,

- We completed the privatization of Dorsett and streamlined our hotel operations
 - Together with Destination Brisbane Consortium partners, we won the development rights for Queen's Wharf Brisbane project, which come with an exclusive casino license
 - We launched pre-sale of four new residential projects with gross development value of approximately HK\$7.5 billion
- We won tenders for two new residential sites located in Hong Kong and Singapore
 - We reached preliminary agreements with our partners in Destination Brisbane Consortium to develop casino sites located in Sydney and Gold Coast
 - We upgraded our technology platform for car park management
 - We refinanced a CNY 1,000,000,000 5.875 per cent bond due on 4 March 2016 with an unsecured syndicated loan with substantially lower financing cost
 - We won numerous international awards on company management, investor relations and corporate governance

These initiatives are consistent with the Group's strategy of building strong long term recurring cashflow streams as well as achieving diversification of earnings sources through our regionalization strategy targeting "Chinese Wallets".

RESULTS HIGHLIGHTS

For FY2016, the Group recorded revenue of HK\$3,995 million (FY2015: HK\$5,110 million). Despite lower revenue for the year mainly due to completion of fewer residential property developments, weaker performance in hotel operations and adverse exchange rate movements, the Group achieved better overall gross margin of 42.7% (FY2015: 38.1%), driven by better margins on our residential development projects.

Net profit for FY2016 was HK\$734 million (FY2015: HK\$957 million) which represents a 23.3% decline.



Reflecting confidence in the financial position of the Company, the Board recommended a final dividend of HK\$0.13 per share. Together with an interim dividend of HK\$0.03 per share, total dividend for the year will amount to HK\$0.16 per share, representing a payout ratio of 43.2% (FY2015: 31.4%).

During the year, the Group launched a number of residential projects. As at 31 March 2016, the Group recorded cumulative pre-sales of HK\$7.5 billion which provides good visibility for the Group's property sales in the coming years. Additionally, the Group launched presales for Royal Crest II in Shanghai and West Side Place Tower 1 and 2 in Melbourne recently, the results of which were encouraging, providing us with strong confidence to execute our planned pipeline.

For more details on business review, please refer to the section entitled "Management Discussion and Analysis"

PRIVATIZATION OF DORSETT

The completion of the privatization of Dorsett provided the Group with a number of benefits. The cash and share offer helped to improve the Company's trading liquidity and provided an enhancement of its net asset value per share.

Successful completion of the exercise also provided the Group with a greater degree of flexibility on capital deployment among the different business divisions of the Group. An example would be the increase in the leverage ratio of its hotel in Singapore and allocation of the freed up capital to finance the land acquisition of the Alexandra View site in Singapore. We believe such flexibility will allow the Group to generate higher return on capital employed in the long run.

CAPITAL STRUCTURE AND BALANCE SHEET MANAGEMENT

Adhering to prudent financial management, the Group continued to optimize its capital structure.

During the Year, the Group carried out share repurchases and bought back approximately 29.6 million Shares from the market, as part of its capital management exercise. The Group also refinanced its CNY 1,000,000,000 5.875 per cent bond with a 3-year unsecured syndicated loan with substantially lower financing cost.

Even with the cash deployed for the privatization of Dorsett and the share repurchases, the Group managed to maintain a healthy liquidity position.

As at 31 March 2016, the Group's cash and liquidity positions amounted to HK\$3.8 billion (HK\$3.5 billion as at 31 March 2015). In addition, the Group's undrawn banking facilities was at HK\$5.4 billion and the Group had 8 unencumbered hotel assets with capital value of HK\$3.0 billion, which can be used as collateral for further bank borrowings and can provide further liquidity to the Group, should this be necessary.

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Net gearing ratio (adjusted for hotel revaluation surplus of HK\$10,732 million which was not recognized on the balance sheet) was at 37.7%, which still provides room for further leverage without significantly affecting the Group's credit standing.

To unlock value tied up in the Group's hotel portfolio, we are evaluating options to monetize certain non-core hotel assets. We hope that through this exercise, we can further improve the liquidity position of the Group whilst demonstrating to our Shareholders the underlying value of our hotel portfolio.

CORPORATE GOVERNANCE AND IMPROVEMENT IN TRANSPARENCY

In recognition of the Group's effort to improve transparency and enhance its investor relations functions, the Group received a number of international awards. These include awards in the areas of company management, investor relations, and corporate governance.

Examples of such awards include the "2015 Asiamoney Best Managed Company Award (Small Cap)" by Asiamoney, "Top 8 Best at Corporate Social Responsibility" award in the "Asia's Best Managed Companies 2016" Poll organized by FinanceAsia, eight awards highlighted by "Top 4 Best Company in Asia for Corporate Governance" in Asiamoney Corporate Governance 2015 Poll, "2015 Grand Prix for Overall Investor Relations (Small Cap)", "Best in Sector: Real Estate", "Top 4 Best Investor Relations Officer (Small and Mid Cap)-Venus Zhao" by IR magazine, "Top 3 Best Investor Relations Professional-Venus Zhao" in the 2016 All-Asia (ex-Japan) Executive Team rankings of the Institutional Investor magazine, the Bronze Award in the "2015 iNOVA Awards competition", the "Best Listed Company" in the 2015 China Financial Market Listed Companies Awards, and "Best IR Company (Small Cap)" in the HKIRA 2nd IR Awards.

PROSPECTS

It is expected that the global economy will remain challenging in the coming year. The strong US dollar, the scale and timing of interest rate hikes and the further slowdown of the economic growth in China is likely to intensify volatility in global financial markets, which may have an impact on the broader economy. Government tightening measures on the property market across different regions in Asia will also likely persist for a period of time.

In the hotel sector, market condition in Hong Kong is expected to remain difficult in the near term with a decline in visitation from Mainland Chinese tourists. However, in the broader market across Asia and in London, the industry as a whole is expected to benefit from the growing middle class in Asia who are traveling more frequently and spending more.

Against this backdrop, we see many opportunities ahead. During the past year, the softening of the property sector in Hong Kong and Singapore provided an opportunity for the Group to acquire land at a lower cost, while the hotel sector downturn in Hong Kong enabled the Group to implement renovations and prepare itself for the next cycle.



The Group will continue to selectively expand its development pipeline and will continue to seek regional diversification. We will maintain resilient through economic cycles and we will seek to grow further by taking advantage of short-term market instabilities. We will also seek to de-risk development projects through earlier presales of properties, even before construction.

The Group's car park operations and facilities management business is expected to continue to generate steady recurring income. The Group will actively explore opportunities to grow its car park operations and facilities management business through regional expansion as well as technology enhancement.

In terms of business strategies, the Group will implement the following strategies to exploit its potential and generate new growth:

- **Regional Diversification:** The Group will continue to adhere to the regional diversification strategy focusing on "Chinese Wallet". We will seek to take advantage of different property cycles in the different markets. The Group's regional knowledge and local expertise enable it to develop and deliver products that target Asia's rapidly-expanding and increasingly affluent middle class.
- **Deliver a strong residential pipeline:** The Group will continue to focus on the mass market for its residential projects. We are confident that, with a strong pipeline of properties set for launch, the Group will maintain its sales momentum in the coming years.
- **Enhance recurring income from hotels, car parks and integrated resorts projects:** The Group will evaluate and strategically adjust its mix of assets from time to time, monetize some of its hotel assets to unlock the hidden value in the portfolio, while enhancing recurring income through selectively adding new hotels to the portfolio. The Group will also seek to improve operational efficiency to enhance the value of its hotels.

The Group will continue to enhance its financial management capability while always adhering to prudent financial management. We will stick firmly to the principle of "Cash is King" and use our resources wisely on higher return projects.

With the foundation that the Group has laid in the past, it is well-positioned for long-term and sustainable growth and we are ready to embrace the harvest season. Dorsett is now wholly owned by the Group and will enable the Group to benefit more fully from the significant growth potential of the tourism industry in Asia. With the recent addition of the Queen's Wharf Brisbane project in Australia and the strong residential development pipeline, the Group can expect a stable growth in the mid-term.

I would like to take this opportunity to thank our members of the Board and our diligent employees for their hard work, loyal service and contributions during the year.

Chris Cheong Thard HOONG

Managing Director

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

TAN SRI DATO' DAVID CHIU, B.SC.

(Executive Director, Chairman and Chief Executive Officer)

Tan Sri Dato' David CHIU, aged 62, holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He is a prominent businessman with over 30 years' experience in the property development and extensive experience in the hotel development. In his business career, he established a number of highly successful business operation through organic growth and acquisitions, covering Mainland China, Hong Kong, Japan, Malaysia, Singapore and Australia. Since 1978, Tan Sri Dato' David CHIU had been the Managing Director of Far East Consortium Limited (the predecessor of the Company). He was appointed as Deputy Chairman and Chief Executive Officer of the Company on 8 December 1994 and 8 October 1997 respectively. On 8 September 2011, Tan Sri Dato' David CHIU has been appointed as the Chairman of the Company. He is also a director of various subsidiaries of the Company. Besides, he is a non-executive director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited and withdrew from listing on the Hong Kong Stock Exchange, a subsidiary of the Company). He was the chairman of the board of directors of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until 31 March 2015.

In regard to his devotion to community services in China and Hong Kong, he was appointed as the member of the 12th Chinese People's Political Consultative Conference and the chairman of Mid-Autumn Festival Celebration-People and Forces' Committee in 2008. Currently, he is a trustee member of The Better Hong Kong Foundation, an honorary chairman of Mid-Autumn Festival Celebration-People and Forces' Committee, a director and a member of Concerted Efforts Resource Centre, a counsellor of China-United States Exchange Foundation, an honorary chairman of Guangdong Chamber of Foreign Investors, a member of Hong Kong General Chamber of Commerce, a member of the Constitutional Reform Synergy, a member of The Real Estate Developers Association of Hong Kong, a member of Friends of Hong Kong Association Ltd, a member of Pacific Basin Economic Council and a director of three Ju Ching Chu Schools in Hong Kong. In Malaysia, Tan Sri Dato' David CHIU was awarded an honorary award which carried the title "Dato" and a more senior honorary title of "Tan Sri" by His Majesty, King of Malaysia in 1997 and 2005 respectively. He was also awarded the WCEF Lifetime Achievement Awards by Asian Strategy & Leadership Institute in 2013. He is the brother of Mr. Dennis CHIU (Executive Director of the Company).

MR. CHRIS CHEONG THARD HOONG, B.ENG., ACA

(Executive Director and Managing Director)

Mr. HOONG, aged 47, was appointed as an Executive Director of the Company in August 2012. He joined the Group in September 2008 as the Managing Director. He is responsible for the formulation and implementation of the Group overall strategies for development. He brings with him a wealth of knowledge in corporate development and extensive experience in mergers and acquisitions as well as international capital markets.

Prior to joining the Group, Mr. HOONG was the chief executive officer of China LotSynergy Holdings Limited (stock code: 1371). He was instrumental in implementing a number of important initiatives which established international relationships for the company and built solid foundations for business expansion whereas he is currently a non-executive director of the company. Mr. HOONG was an investment banker for over 12 years and had held senior positions at Deutsche Bank and UBS where he was responsible for corporate finance business in Asia. Mr. HOONG is a director of various subsidiaries of the Company. He is also a non-executive director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited and withdrew from listing on the Hong Kong Stock Exchange, a subsidiary of the Company), a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange and a non-independent and non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia.

Mr. HOONG is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London.



MR. DENNIS CHIU, B.A.

(Executive Director)

Mr. CHIU, aged 57, was appointed as an Executive Director of Far East Consortium Limited (the predecessor of the Company) in 1978. He has been actively involved in the business development in the Mainland China, Singapore and Malaysia. Mr. CHIU is a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange. He is the brother of Tan Sri Dato' David CHIU (Executive Director of the Company).

MR. CRAIG GRENFELL WILLIAMS, B.ENG. (CIVIL)

(Executive Director)

Mr. WILLIAMS, aged 64, was appointed as an Executive Director of the Company in 2000. He is responsible for all property development in Australia. He resides in Melbourne, Australia. He holds a degree of Bachelor of Civil Engineering from Melbourne University. Before joining the Australian operations of the Company, he was a director of all development companies of the Lend Lease Group, Australia's largest property developer. Mr. WILLIAMS has extensive experience in all facets of property development and is the past president of the St. Kilda Road Campaign Inc. He is a director of various subsidiaries of the Company.

MR. DENNY CHI HING CHAN, EMBA

(Non-executive Director)

Mr. CHAN, aged 52, was appointed as an Executive Director of the Company in August 2012 and re-designated as a Non-executive Director on 1 January 2016. He has been the Group's Chief Operating Officer from March 2004 to December 2015. He was responsible for the Hong Kong and the Mainland China based activities with emphasis on the commercial management, property and hotel development and investment, and project development. He also led the sales and marketing team to oversee the strategy planning on the real estate business in Hong Kong and Mainland China. He joined the Company in 1990 as the Group Chief Accountant and promoted as the Group Financial Controller in 2002. From 1990 to 2003, he was responsible for the Group's financial, treasury and accounting functions.

Prior to joining the Group, he was an audit manager of a big four international accounting firm with over ten years of audit experience. He has extensive experience in accounting and auditing of Hong Kong listed companies.

Mr. CHAN graduated from the City University of Hong Kong with an Executive Master Degree in Business Administration. He is a member of the Hong Kong Institute of Project Management and a fellow member of the Hong Kong Institute of Directors. He is also a member of China Real Estate Chamber of Commerce Hong Kong Chapter Limited.

MR. KWOK WAI CHAN

(Independent Non-executive Director)

Mr. CHAN, aged 57, was appointed as an Independent Non-executive Director of the Company in November 2005. He is a member of The Hong Kong Securities and Investment Institute and a member of CPA Australia. Mr. CHAN is a director of High Progress Consultants Limited and also an independent non-executive director of Chinese Estates Holdings Limited (stock code: 127), China Investments Holdings Limited (stock code: 132), Tern Properties Company Limited (stock code: 277) and National Electronics Holdings Limited (stock code: 213).