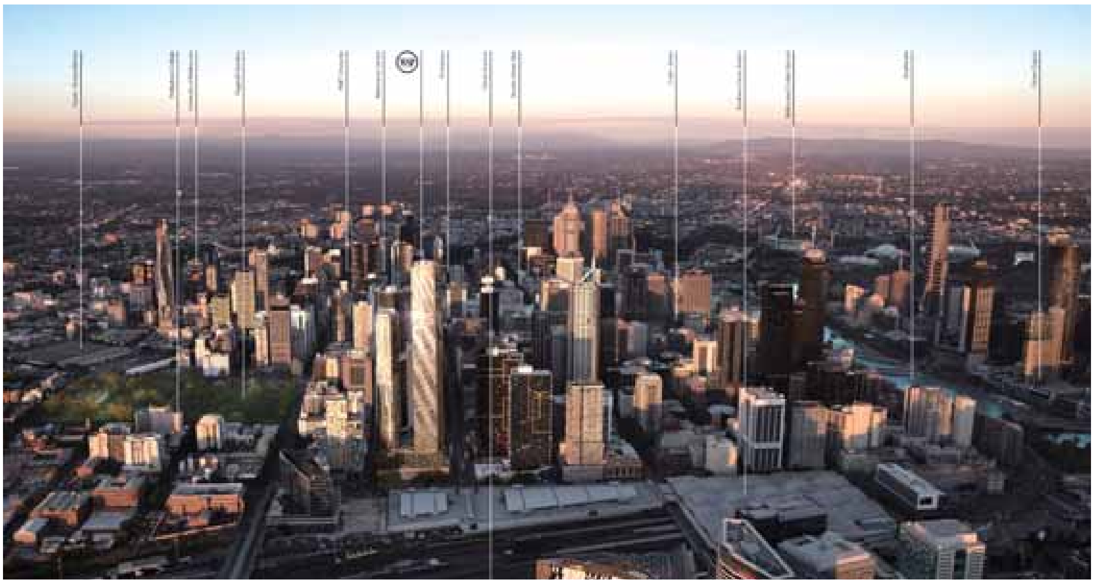
MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS



KEY ACHIEVEMENTS AND FINANCIAL HIGHLIGHTS

- Completed privatisation of Dorsett.
- Won Queen's Wharf development project.
- Cumulative presales value of properties under development reached a record high of approximately HK$7.5 billion as at 31 March 2016.
- Pipeline of development projects at approximately HK$39 billion as at 31 March 2016.
- Adjusting for hotel revaluation surplus and reflecting the completion of the privatization of Dorsett, net assets attributable to shareholders increased by 8.5% to HK$9.79 per share[i].
- Net gearing ratio was at 37.7%[i][ii] and total cash and investment securities balance as at 31 March 2016 was at approximately HK$3.8 billion.
- Group achieved better overall gross profit margin of 42.7% (FY2015: 38.1%) driven by better margin on residential development projects.
- Net profit attributable to shareholders amounted to approximately HK$734 million, a decrease of 23.3% over the previous financial year ("FY2015"). Adjusted cash profit[iii] amounted to HK$853 million (FY2015: HK$836 million).
- Basic earnings per share amounted to HK$0.37. Final dividend maintained at HK$0.13 per share (2015: HK$0.13 per share). The full year dividend was HK$0.16 per share (2015: HK$0.16 per share), representing an increase in dividend payout ratio to 43.2%, reflecting confidence in financial position of the Group.

Notes:

(i) Revaluation surplus on hotel assets of approximately HK$10,732 million was based on independent valuation carried out as at 31 March 2016 and was not recognized in the Company's consolidated financial statements, but was adjusted for calculation of net asset value per share and net gearing ratio.

(ii) Net gearing ratio is calculated by dividing total bank loans and bonds less bank and cash balances, and investment securities by the carrying amount of total equity and the unrecognised revaluation surplus on hotel assets.

(iii) Adjusted cash profit is calculated by adding depreciation and amortisation charges to, and subtracting fair value gain in investment properties from net profit attributable to shareholders. The amount is adjusted for minority interests.

FINANCIAL REVIEW

1. Annual results

	For the year ended 31 March		
	2016 HK$ million	2015 HK$ million	Change
Revenue			
Sales of properties	1,979	2,962	–33.2%
Hotel operations and management	1,321	1,454	–9.1%
Car park operations and facilities management	623	616	+1.1%
Leasing and others	72	78	–7.7%
Total Revenue	3,995	5,110	–21.8%

The Company's consolidated revenue for FY2016 was approximately HK$4.0 billion, a decrease of 21.8% as compared with FY2015.

Revenue from sales of properties amounted to approximately HK$1,979 million in FY2016, a decrease of 33.2% as compared with FY2015, primarily due to completion of fewer residential property developments and hence lower sales recognition arising from presales of completed residential projects. During the financial year, projects completed included Upper West Side, Midtown (Stage 3) in Melbourne, and King's Manor in Shanghai. King's Manor was completed about a week before 31 March 2016 and further units were delivered after the year end. In addition, the Group also recognized sales of properties in View Pavilion in Shanghai which was completed in the previous financial year.

Queen's Wharf Brisbane Project, Australia

King's Manor, Shanghai

MANAGEMENT DISCUSSION AND ANALYSIS

In FY2016, revenue from hotel operations and management amounted to approximately HK$1,321 million, a decrease of 9.1% compared to FY2015. The decrease was attributable mainly to decrease in average room rate and occupancy in the Hong Kong market as a result of a decrease in the number of overnight visitors from Mainland China, and the relative strength of the Hong Kong dollar which affected the Hong Kong hotel market where the Group has a significant presence.

Revenue from car park operations and facilities management amounted to approximately HK$623 million in FY2016, an increase of 1.1% as compared to FY2015 despite a weakened Australian and Malaysian dollar against Hong Kong dollar, as a result of the contribution of newly added car parks, with approximately 4,600 car park bays added to the Group's car park management portfolio during FY2016. Assuming constant exchange rate, revenue from the Group's car park operations increased by 11.5%.

Revenue from leasing of properties and others was largely unchanged, compared with FY2015, amounting to approximately HK$72 million.

Dorsett, Singapore


Dorsett City, London

Car Park Operation

In general, contributions from non-Hong Kong operations were affected by adverse currency movement of foreign currencies against Hong Kong dollar. The table below sets forth the exchange rates of Hong Kong dollar against the local currency of countries where the Group has significant operation:

Rates as at	31 March 2016	31 March 2015	Change
HK$/AUD	5.93	5.92	0.2%
HK$/RMB	1.20	1.25	–4.0%
HK$/MYR	1.97	2.09	–5.7%
HK$/GBP	11.12	11.46	–3.0%
HK$/SGD	5.74	5.63	2.0%

Average rates for	FY2016	FY2015	Change
HK$/AUD	5.93	6.54	–9.3%
HK$/RMB	1.23	1.26	–2.4%
HK$/MYR	2.03	2.23	–9.0%
HK$/GBP	11.29	12.17	–7.2%
HK$/SGD	5.69	5.89	–3.4%

	For the year ended 31 March		
	2016 HK$ million	2015 HK$ million	Change
Gross Profit			
Sales of properties	1,002	1,086	–7.7%
Hotel operations and management	541	691	–21.7%
Car park operations and facilities management	117	124	–5.6%
Leasing and others	46	45	+2.2%
Total Gross Profit	1,706	1,946	–12.3%
Gross Profit Margin			
Sales of properties	50.6%	36.7%	
Hotel operations and management	41.0%	47.5%	
Car park operations and facilities management	18.8%	20.1%	
Leasing and others	63.9%	57.7%	
Total Gross Profit Margin	42.7%	38.1%	

MANAGEMENT DISCUSSION AND ANALYSIS

SALES OF PROPERTIES GROSS PROFIT MARGIN

↗ 13.9ppts

TO **50.6%**

Gross profit for FY2016 was approximately HK$1,706 million, a decrease of 12.3% as compared with FY2015. Gross profit from sales of properties amounted to approximately HK$1,002 million in FY2016, representing a decrease of 7.7% from FY2015. Gross profit margin from sales of properties increased to 50.6% in FY2016 compared to 36.7% in FY2015. The increase in gross profit margin was mainly due to the high profit margin in View Pavilion and King's Manor, both in Shanghai.

Gross profit from hotel operations and management amounted to approximately HK$541 million in FY2016, representing a decrease of 21.7% as compared to FY2015. Gross profit margin from hotel operations and management decreased to 41.0% in FY2016, mainly due to the reduction in RevPAR in the Hong Kong hotels operation which is a major market for the Group's hotel operations and management.

Gross profit contribution from car park operations and facilities management decreased by 5.6% to approximately HK$117 million for FY2016 due to a weakened Australian Dollar and Malaysian Ringgit against Hong Kong Dollar. Gross profit margin diluted slightly to 18.8% mainly due to a slight change in sales mix as revenue growth, in local currency terms, skewed towards third party car parks management contracts.

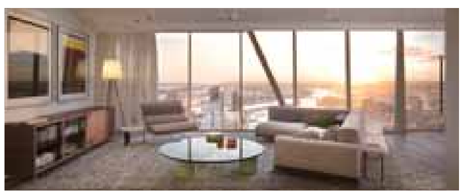
Gross profit from leasing and others was approximately HK$46 million and the segment's gross profit margin was 63.9% in FY2016.

Net profit attributable to shareholders of the Company for FY2016 amounted to approximately HK734 million, representing a decrease of 23.3%, compared with the last financial year, primarily due to completion of fewer residential property projects, hence lower sales recognition for pre-sales of completed residential projects, the performance of hotel operations and management in the Hong Kong market, adverse currency movements and a lower revaluation gain from investment properties during the current financial year.

Adjusted cash profit attributable to shareholders is calculated by adding depreciation and amortisation charges to, and subtracting fair value gain in investment properties from net profit attributable to shareholders which amounted to HK$853 million (FY2015: HK$836 million). The figure is adjusted for minority interests.

Dorsett Shepherds Bush, London

Car park operations in Australia



West Side Place, Melbourne

2. Liquidity, financial resources and net gearing

The following table sets out the Group's bank and cash balances, investment securities (which were considered as cash equivalent items due to its easily-monetizable nature), bank loans and borrowings and equity as at 31 March 2016.

	As at 31 March	
	2016 HK$ million	2015 HK$ million
Bank loans and bonds		
Due within 1 year	**1,864**	3,821
Due 1–2 years	**1,691**	530
Due 2–5 years	**7,198**	5,167
Due more than 5 years	**920**	301
Total bank loans and bonds	**11,673**	9,819
Investment securities	**1,219**	1,151
Bank and cash balances	**2,531**	2,336
Liquidity position	**3,750**	3,487
Net debts(i)	**7,923**	6,332
Carrying amount of total equity	**10,267**	10,261
Add: hotel revaluation surplus	**10,732**	10,976
Total equity adjusting for hotel revaluation surplus	**20,999**	21,237
Net gearing ratio (net debts to adjusted equity)	**37.7%**	29.8%

Note:

(i) Net debts represent total bank loans and bonds less bank and cash balances, and investment securities.

To better manage the Group's liquidity position, the Group allocated a portion of its cash position in marketable fixed income securities. Investment securities shown on the consolidated statement of financial position represents primarily fixed income securities and investments in fixed income funds.

During the year, the Group obtained a HK$1,350 million 3-year syndicated loan to refinance its CNY1,000,000,000 5.875 per cent bond due on 4 March 2016 and for the general working capital requirements of the Group. The successful refinancing of the bond reduced the overall finance costs of the Group substantially.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group also increased the leverage ratio on its Singapore hotel to finance the acquisition of Alexandra View in Singapore. An amount of approximately SGD272 million was drawn against the Singapore hotel to finance the acquisition. This project is a joint venture between the Group and Gigantic Global Limited with 70% and 30% of the shareholding respectively.

The increase in net borrowing contributed to the higher net gearing ratio of 37.7%.

The carrying amount of the total bank loans and bonds in the Company's consolidated statement of financial position include an amount of approximately HK$1,073 million (as at 31 March 2015: HK$521 million) reflected as current liabilities even though such sum is not repayable within one year, as the banks and/or financial institutions have discretionary rights to demand immediate repayment.

As at 31 March 2016, the undrawn banking facilities was approximately HK$5.4 billion, of which approximately HK$3.5 billion was for construction and/or development purposes while the remaining balance of approximately HK$1.9 billion was for the Group's general corporate use. The banking facilities together with the sales proceeds from the Group's upcoming property development projects places the Group in a good financial position to fund not only its existing business and operations but also further expansion of its business.

In addition, a total of eight hotel assets with the Group were unencumbered, the capital value of which amounted to HK$3.0 billion as at 31 March 2016. These assets can be used as collateral for further bank borrowings which can provide further liquidity for the Group, should this be necessary.

3. Net asset value per share

	As at 31 March	
	2016 HK$ million	2015 HK$ million
Equity attributable to shareholders	**10,140**	9,144
Add: Hotel revaluation surplus	**10,732**	8,119[i]
Total net asset value	**20,872**	17,263
No. of shares issued ("million")	**2,132**	1,914
Adjusted net asset value per share	**HK$9.79**	HK$9.02

(i) Adjusted for minority interest

ADJUSTED NAV PER SHARE
HK$0.77
TO **HK$9.79**

Adjusting for revaluation surplus on hotel assets of approximately HK$10,732 million as at 31 March 2016 (HK$10,976 million as at 31 March 2015) and following completion of the privatisation of Dorsett, total net asset value of the Group reached approximately HK$20,872 million. Adjusted net asset value per share for the Company as at 31 March 2016 was approximately HK$9.79, representing an increase of 8.5% over the figure as at 31 March 2015.

In conjunction with Dorsett privatisation exercise, the Group undertook a valuation exercise for all of its assets (including the hotel assets), which showed that the unrecognized revaluation surplus of these assets (other than the hotel assets) was approximately HK$3,027 million as at 31 May 2015. This amount is not included in the calculation of the net asset value above.

4. Capital expenditure

The Group's capital expenditure consists primarily of expenditure for acquisition and development of hotel properties, plant and equipment.

During FY2016, the Group's capital expenditure amounted to approximately HK$328 million (2015: HK$300 million) primarily attributable to construction works on Dorsett City London and Silka Tsuen Wan Hong Kong, and the renovation works on Cosmopolitan Hotel Hong Kong and Dorsett Regency Kuala Lumpur. The capital expenditures were funded through a combination of external borrowings and internal resources.

5. Capital commitments

	As at 31 March	
	2016	2015
	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	**318,805**	259,477
Others	**33,745**	83,761
	352,550	343,238

Water's edge of the Swan River, Perth

Dorsett City, London

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Property division

The Group's property business includes property development and investment.

Property investment comprises investments in retail and office buildings located in Mainland China, Hong Kong, Singapore and Melbourne. For FY2016, the Group recorded a revaluation gain of approximately HK$192 million from its investment properties, bringing the valuation of its investment properties to approximately HK$3.3 billion as at 31 March 2016 (31 March 2015: HK$3.2 billion).

The Group has a diversified portfolio in residential property development in Australia, Shanghai, Guangzhou, Hong Kong, London and Kuala Lumpur. To carry out property development in the different markets, the Group has strong local teams in each of these markets, which, coupled with the regionalisation approach allowing the Group to take advantage of the different property cycles in the different markets, has resulted in a relatively low land cost base for the Group's development projects. The Group's property developments are largely focused on mass residential market where the Group can see benefits from the growing affluence of the middle class.

Total cumulative presales value of the Group's residential properties under development amounted to approximately HK$7.5 billion as at 31 March 2016. All developments under presale are expected to be completed and delivered within three years. As revenue will only be recognized when the sales of the property developments are completed, proceeds from the presales were not reflected in the consolidated statement of profit or loss. The Group expects a significant cash flow when the projects are completed.

West Side Place, Melbourne

Alpha Square, London

The Towers at Elizabeth Quay, Perth

The following shows a breakdown of the Group's total cumulative presales value of residential properties under development as at 31 March 2016.

Developments	Location	HK$ million	Expected financial year of completion
Eivissa Crest	Hong Kong	629	FY2017
Aspen Crest	Hong Kong	882	FY2019
Manhattan at Upper West Side (Stage 4)	Melbourne	1,741	FY2017
The FIFTH	Melbourne	1,225	FY2018
The Towers at Elizabeth Quay	Perth	1,411	FY2019
King's Manor	Shanghai	1,260	FY2017
Royal Riverside	Guangzhou	53	FY2017/18
Dorsett Bukit Bintang	Kuala Lumpur	316	FY2017/18
Cumulative presales value		7,517	

During FY2016, the Group launched presales of four of its residential development projects, namely (i) Aspen Crest in Hong Kong, (ii) King's Manor (second phase) in Shanghai, (iii) Tower 2 Royal Riverside in Guangzhou, and (iv) The Towers at Elizabeth Quay in Perth. Total expected GDV and saleable floor area of these projects are approximately HK$7.5 billion and 1.8 million sq. ft. respectively.

Following the year end, presales were launched for three of the Group's developments, namely Royal Crest II in Shanghai and Tower 1 and Tower 2 of West Side Place in Melbourne. Presales for two other projects in Hong Kong, namely Tan Kwai Tsuen and Sha Tau Kok, are expected to be launched in the remainder of the financial year ending 31 March 2017. It is expected that these five developments together will bring in an estimated GDV of more than HK$8 billion and saleable floor area of approximately 1.5 million sq. ft..

CUMULATIVE PRESALES A RECORD HIGH AT
HK$7.5
BILLION

In FY2016, the Group acquired two additional residential development sites, namely Shatin Heights in Hong Kong and Alexandra View in Singapore, both of which are currently under planning stage. As at 31 March 2016, 23 active residential property development projects were under various stages of development with total attributable saleable floor area of approximately 6.4 million sq. ft. across its geographical markets. Details of the pipeline are shown below.

MANAGEMENT DISCUSSION AND ANALYSIS

Developments	Attributable Saleable Floor Area[i] Sq. Ft.	Expected Attributable GDV[ii] HK$ million	Status/ Expected launch	Expected financial year of completion
Melbourne				
Manhattan at Upper West Side (Stage 4)	388,000	1,741	Launched	FY2017
The FIFTH	284,000	1,225	Launched	FY2018
West Side Place				
– Tower 1	585,000	3,076	FY2017	FY2020/21
– Tower 2	487,000	2,561	FY2017	FY2020/21
– Tower 3	400,000	2,103	Planning	Planning
– Tower 4	576,000	3,028	Planning	Planning
Brisbane				
Queen's Wharf[iii]				
– Tower 4	259,000	1,428	Planning	Planning
– Tower 5	236,000	1,417	Planning	Planning
– Tower 6	211,000	1,270	Planning	Planning
Perth				
The Towers at Elizabeth Quay	320,000	2,733	Launched	FY2019
Shanghai				
King's Manor (remaining)	386,000	1,681	Launched	FY2017
Royal Crest II	259,000	1,380	FY2017	FY2017/18
Guangzhou				
Royal Riverside	728,000	2,136	Launched	FY2017/18
Hong Kong				
Eivissa Crest	36,000	767	Launched	FY2017
Aspen Crest	64,000	1,069	Launched	FY2019
Tan Kwai Tsuen	51,000	581	FY2017	FY2017/18
Sha Tau Kok	99,000	771	FY2017	FY2019
Tai Wai	33,000	399	Planning	Planning
Shatin Heights	70,000	1,200	Planning	Planning
Sham Shui Po	28,000	366	Planning	Planning
Kuala Lumpur				
Dorsett Bukit Bintang	215,000	825	Launched	FY2017/18
Singapore				
Alexandra View[iv]	290,000	2,840	FY2018	Planning
London				
Alpha Square	388,000	4,314	Planning obtained	Planning
Total	6,393,000	38,911		

Manhattan at Upper West Side (Stage 4)

Notes:

(i) The figures represent approximate saleable residential floor area which may vary subject to finalisation of development plans.

(ii) The amounts shown represent expected gross development value which may change subject to market conditions.

(iii) The residential development consists of a total saleable floor area of approximately 1,400,000 sq. ft.. The Group has 50% interest in the residential development.

(iv) The residential development consists of a total saleable floor area of approximately 410,000 sq. ft.. The Group has 70% interest in the residential development.

In addition to its development pipeline of approximately 6.4 million sq. ft., the Group has a land bank of approximately 4.8 million sq. ft. of floor area. The land bank comprises, inter alia, residential land in Shanghai and Guangzhou, and a joint venture project in Fong Lok Wai, Yuen Long, Hong Kong. With a total property development pipeline of approximately 11.2 million sq. ft., the Group's development is poised for continued growth in the coming years.

Australia

Manhattan at Upper West Side (Stage 4) consists of 641 apartments which were completely presold as at 31 March 2016. Its presale value was approximately HK$1,741 million and the development is expected to be completed in the financial year ending 31 March 2017.

The FIFTH is located adjacent to the current Upper West Side development and provides 402 apartments. As at 31 March 2016, it was completely presold and its presale value reached approximately HK$1,225 million. It is expected to be completed in the financial year ending 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS


West Side Place, Melbourne


The Towers at Elizabeth Quay, Perth

West Side Place is a mixed-use residential development located next to the Upper West Side development. This development is expected to have a residential saleable floor area of approximately 2 million sq. ft. from four towers with approximately 3,000 apartments. Tower 1 and Tower 2 were recently launched for presales and received strong response. The two towers combined consist of approximately 1,400 apartments. A hotel which will be operated by Ritz Carlton with approximately 260 hotel rooms will be located at the top of the Tower 1. The expected GDV for the residential component for the two towers is approximately HK$5.6 billion.

The Towers at Elizabeth Quay, Perth is a mixed-use development comprising residential apartments of approximately 320,000 sq. ft. in saleable floor area, a luxury Ritz-Carlton hotel with more than 200 rooms and some retail area. As at 31 March 2016, its presale value reached HK$1,411 million, representing approximately 52% of the whole development. It is expected to be completed in the financial year ending 31 March 2019.

In November 2015, development agreements for an integrated resort and a residential development were signed with the State of Queensland, Australia for the delivery of the Queen's Wharf Project in Brisbane. The Group has a 50% interest in the residential development component which is now under the master planning stage. For further details, please refer to the section headed "Other Significant Events During FY2016" below.

In March 2016, the Group signed two Memoranda of Understanding ("MOU") with Chow Tai Fook Enterprises Limited ("CTF") and The Star Entertainment Group Limited ("The Star") for the development of (i) a 200-metre tower located on the ocean side of The Star's existing Jupiters Integrated Resort in Gold Coast which would house around 700 hotel rooms and apartments and (ii) another 200-metre hotel/apartment tower at The Star in Sydney featuring a Ritz Carlton hotel and an extension with connectivity to the existing property that would include further food and beverage outlets. This is a critical step for the Group's further expansion into Australia and is expected to enhance economies of scale of its operations there.

Royal Riverside, Guangzhou

Mainland China

The Group has been developing California Garden, a premier township in Shanghai over a number of years. The development comprises a diversified portfolio of residences including low rise apartments, high-rise apartments and town houses. Currently, two residential phases in California Garden are under various stages of construction, namely King's Manor and The Royal Crest II.

King's Manor consists of 479 apartments and 90 town houses with an expected GDV of approximately HK$2,600 million. A portion of the development with a GDV of approximately HK$920 million was completed during the last week of FY2016. The balance of the development is expected to be completed in FY2017. For the balance of approximately HK$1,680 million, its presale value reached approximately HK$1,260 million as at 31 March 2016, representing approximately 75% of the expected GDV of the balance.

Royal Crest II consists of 180 apartments and 42 town houses. The expected GDV is approximately HK$1,380 million. Its presale launch took place shortly after the financial year ended 31 March 2016. The Royal Crest II is expected to be completed in stages in the financial years ending 31 March 2017 and 2018.

In Guangzhou, Royal Riverside is a 5-tower residential development producing approximately 607 apartments with a total saleable floor area of approximately 728,000 sq. ft.. Tower 2 was soft launched in February 2016 and its presale value as at 31 March 2016 was approximately HK$53 million, representing approximately 21% of the GDV of that tower. The remaining towers are expected to be launched for presale in the financial year ending 31 March 2017. Total expected GDV is approximately HK$2,136 million. The development is expected to be completed in the financial years ending 31 March 2017 and 2018.

Royal Crest II, Shanghai

California Garden, Shanghai

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong

The Group has been actively building up its development pipeline in Hong Kong. The Group continues to increase its land bank through acquisition of redevelopment sites, by participating in government tender and bidding for projects with the Urban Renewal Authority ("URA").

Currently, the Group has seven residential development projects in the pipeline in Hong Kong.

Eivissa Crest consists of 106 residential apartments with approximately 36,000 sq. ft. in saleable floor area. The presale value reached approximately HK$629 million as at 31 March 2016, representing 82% of the total expected GDV. Completion took place after year end. The site was acquired and originally intended to be held for recurring income business. However, having considered the property market conditions, the Group decided to change the site to residential property development for sale. According to HKAS 40 "Investment properties", this development is treated as an investment property. Upon completion and when the titles of the development have been passed to buyers, the difference between the net disposal proceeds and the carrying amount of the asset will be presented as gains or losses on disposal of investment properties held for sale in the consolidated statement of profit or loss for the compliance of the relevant accounting standard.

Aspen Crest is a redevelopment project and consists of 234 apartments with approximately 64,000 sq. ft. in saleable floor area and approximately 16,000 sq. ft. of commercial component. As at 31 March 2016, its presales value reached approximately HK$882 million, representing 83% of the total expected GDV. Its completion is expected to take place in the financial year ending 31 March 2019.

A residential development site at Tan Kwai Tsuen consisting of 24 town houses with approximately 51,000 sq. ft. in saleable floor area is expected to be launched for presale in the second half of the financial year ending 31 March 2017. Completion is expected to be in the financial years ending 31 March 2017 and 2018.

The Group's residential development site at Sha Tau Kok was acquired through a government tender. This development comprises 263 low-rise apartments with approximately 99,000 sq. ft. in saleable floor area. Its presale launch is expected in the second half of the financial year ending 31 March 2017 and completion is expected in the financial year ending 31 March 2019.

A residential development site at Tan Kwai Tsuen, Hong Kong

Aspen Crest, Hong Kong

Eivissa Crest, Hong Kong

Dorsett Bukit Bintang, Kuala Lumpur

A residential site at Sha Tau Kok, Hong Kong

A development site at Tai Wai, Hong Kong

A development site at Tai Wai, comprising a residential component of approximately 33,000 sq. ft. in saleable floor area and a commercial component of approximately 5,800 sq. ft. in gross floor area, was also acquired by the Group through government tender. This project is under planning stage.

The Group also recently won through government tender a residential development site at Shatin Heights at a price of approximately HK$245 million. The land acquisition cost was funded through the Group's internal resources and is wholly owned by the Group. The GFA is approximately 88,000 sq. ft. and the project is currently under planning stage.

In addition, a residential development site at Sham Shui Po was acquired through URA. This residential development will comprise 72 apartments (mainly 1-bedroom apartment) with approximately 28,000 sq. ft. in saleable floor area. This project is under planning stage.

Malaysia

Dorsett Bukit Bintang is a residential development adjacent to Dorsett Regency Kuala Lumpur. This development consists of 252 high-rise apartments of approximately 215,000 sq. ft. in saleable floor area. As at 31 March 2016, presales value reached approximately HK$316 million, representing 38% of the total expected GDV. Completion is expected to take place in the financial years ending 31 March 2017 and 2018.

Singapore

In November 2015, the Group won a tender for a residential development site at Alexandra View, located next to Redhill MRT station in Singapore, at a tender price of approximately SGD377 million. The property development comprises a 99-year leasehold land parcel. Subject to finalising the development plan, the saleable floor area of the site is estimated at approximately 410,000 sq. ft., comprising residential development together with commercial component. This development is a joint venture in which the Group has a 70% shareholding.

MANAGEMENT DISCUSSION AND ANALYSIS

Alpha Square, London

United Kingdom

Alpha Square is a residential development site located in Marsh Wall, Canary Wharf, London. This mixed-use development consists of residential units totalling approximately 388,000 sq. ft. in saleable floor area, a hotel of approximately 230 rooms, retail component and other facilities. Planning approval was obtained in May 2016. The Group intends to continue to acquire and increase its land bank in the United Kingdom.

Momentum remains strong despite recent cooling measures implemented by authorities in different countries. During the year, the interest rate environment remained conducive to sales growth. The Group has a strong balance sheet to weather any unforeseen volatility and its regionalisation strategy helps to diversify the risks. The Group is cautiously optimistic about the upcoming challenges with good visibility for growth.

2. Hotel operations and management – Dorsett Hospitality International Limited

The key indicators of Dorsett's owned hotel operations for FY2016 are as follows:

	For the year ended 31 March	
	2016	2015
Hong Kong		
Occupancy rate	86.0%	92.7%
Average room rate (HK$)	731	856
RevPAR (HK$)	629	794
Revenue (HK$'000)	650,496	793,781
Mainland China		
Occupancy rate	50.9%	47.4%
Average room rate (HK$)	507	545
RevPAR (HK$)	258	258
Revenue (HK$'000)	197,935	196,968
Malaysia		
Occupancy rate	65.8%	64.7%
Average room rate (HK$)	384	491
RevPAR (HK$)	252	318
Revenue (HK$'000)	215,547	264,399
Singapore		
Occupancy rate	82.0%	77.3%
Average room rate (HK$)	1,091	1,188
RevPAR (HK$)	894	918
Revenue (HK$'000)	100,849	102,606
United Kingdom		
Occupancy rate	79.3%	61.1%
Average room rate (HK$)	1,109	1,185
RevPAR (HK$)	879	724
Revenue (HK$'000)	119,778	74,451
Group Total		
Occupancy rate	72.7%	73.6%
Average room rate (HK$)	666	762
RevPAR (HK$)	484	561
Revenue (HK$'000)	1,284,606	1,432,204

For FY2016, total revenue from hotel operations and management in Hong Kong decreased by 18.1% to approximately HK$650 million. The average room rate ("ARR") in Hong Kong decreased by 14.6% to HK$731, while the occupancy ("OCC") recorded a decline of 6.7 percentage points to 86.0%. The RevPAR was HK$629, down by 20.8%, compared with the previous financial year. The RevPAR performance in Hong Kong was adversely affected by the decline in number of overnight visitors arrivals from Mainland China and the relative strength of the Hong Kong dollar which eroded the competitiveness of the Hong Kong tourism market in which the Group has a significant presence.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from hotel operations and management in Mainland China increased 0.5% to approximately HK$198 million for FY2016. The growth was largely driven by the improved performance of Dorsett Grand Chengdu and Lushan Resort. However, ARR declined by approximately 7.0% to HK$507 due to the lower ARR of Lushan Resort and the overall impact of the depreciation of RMB. Excluding such currency impact, ARR in Mainland China declined 5.0% to RMB414. Overall OCC for the region came in at 50.9% compared to 47.4% of FY2015, due to improvement of OCC of Dorsett Grand Chengdu and Lushan Resort. As a result, RevPAR in Mainland China remained at HK$258.

In Malaysia, revenue from hotel operations and management declined 18.5% to approximately HK$216 million, largely attributable to the depreciation of Malaysian Ringgit against the Hong Kong dollar and lower revenue from food and beverage due to the austerity measures from the government in cutting down spending. ARR declined 21.8% to HK$384, however excluding the currency impact, ARR declined 14.0% to MYR189. OCC was up 1.1 percentage points to 65.8% while RevPAR declined 12.7% to MYR124.

In Singapore, Dorsett Singapore recorded a revenue of approximately HK$101 million for FY2016, representing a slight decline of 1.7% mainly as a result of the depreciation of the Singapore dollar against the Hong Kong dollar. RevPAR reached HK$894, a decline of 2.6%, compared to the previous financial year, however, excluding the impact on currency, RevPAR was up 0.9% to SGD157.

In the United Kingdom, Dorsett Shepherds Bush London recorded significant improvement in performance for FY2016, reaching a revenue of approximately HK$120 million, an increase of 60.9%, compared to the previous financial year. The RevPAR recorded an increase of 21.4% to HK$879.

As at 31 March 2016, the Group operated 20 owned hotels (9 in Hong Kong, 5 in Malaysia, 4 in Mainland China, 1 in Singapore and 1 in London), with approximately 6,000 rooms. The Group had 12 hotels in the development pipeline, of which two are Ritz Carlton hotels, one each in Melbourne and Perth, and four world-class hotels in the integrated resort of Queen's Wharf, Brisbane in which the Group has a 25% interest, with the remaining expected to be operated by Dorsett. When all the hotels in the pipeline become operational, the Group will have 32 owned hotels operating more than 9,000 rooms.

In the next 12 months, it is anticipated that two new hotels will be opened, namely Silka Tsuen Wan in Hong Kong and Dorsett City in London. These two new hotels will add approximately 700 rooms to the Group's current operating portfolio.

In addition, as mentioned above, two MOUs were signed with CTF and The Star for the development of two hotel/apartment towers, one at The Star's existing Jupiters Integrated Resort in Gold Coast and the other at The Star in Sydney, in March 2016.

3. Car park operations and facilities management

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

The car park business extends to both third party owned car parks and self-owned car parks and generates a stable recurring income for the Group. This business sector has been achieving steady growth over the years, with the Group's portfolio under management growing into 354 car parks with approximately 71,000 car parking bays as at 31 March 2016, having added approximately 4,600 car parking bays during FY2016, including the acquisition of a car park with 473 car parking bays in New Zealand and another car park with 367 car parking bays in Brisbane, in which the Group has 25% interest. Of the Group's 354 car parks, 25 were self-owned car parks (20 in Australia, 3 in New Zealand and 2 in Kuala Lumpur) comprising approximately 7,000 car parking bays, with the remaining 64,000 car parking bays in Australia, New Zealand and Malaysia under management contracts entered into with third party car park owners, which include local governments, shopping malls, retailers, universities, airports, hotels, hospitals, government departments and commercial and office buildings.

With this division further expanding its operation to include property management services in Australia (mainly in Brisbane, Melbourne and Adelaide) and Johor Bahru, Malaysia, where the Group had 46 contracts in relation to facilities management services as at 31 March 2016, it is expected that the car park operations and facilities management business will continue its steady growth.

4,600
CAR PARK BAYS
IN FY2016 TO
71,000