MANAGING DIRECTOR'S REPORT

INTRODUCTION

FY2017 was a rewarding year and marks the beginning of another harvest season for the Group with the completion of a number of major initiatives which will have a long-term positive implication for the development of the Group. In summary:

- We were selected to work with the Manchester City Council in the United Kingdom to deliver the "Northern Gateway", the latest and arguably the largest residential opportunity for transformational change ever undertaken in Manchester. This is over and above the appointment of the Company in August 2016 as the developer for the Angel Meadow site at NOMA, one of the major residential growth areas for Manchester;

- We completed the purchase of a car park in the vicinity of the Manchester Airport in the United Kingdom at a consideration of GBP13.4 million, representing an opportune entry for the Group into the UK car parking business to grow this segment of its business;

- We won the historic Hornsey Town Hall regeneration project in London to develop the site for hotel, residential and retail use as well as a new community arts centre;

- Together with our pre-eminent international partners, The Star and CTF, we completed the acquisition of the Sheraton Grand Mirage Resort at Gold Coast, Australia. We also entered into Memoranda of Understanding with them to develop residential and hotel projects in Sydney and Gold Coast;

- We successfully achieved cumulative pre-sale of residential projects amounting to HK$10.7 billion with the Group's gross development value at approximately HK$47.2 billion under our development pipeline. Projects launched during this financial year include West Side Place Towers 1 and 2, the Group's landmark project in Melbourne, Royal Riverside Towers 1, 2 and 4 in Guangzhou, and Royal Crest II in Shanghai;

- We sold out all the apartments in Aspen Crest in Hong Kong;

- We commenced construction on a number of new developments, notably Queen's Wharf Brisbane in Australia;

- We opened Silka Tsuen Wan, Hong Kong and completed the rebranding of Dorsett Wanchai, Hong Kong (formerly known as Cosmopolitan Hotel). Dorsett Residence Kuala Lumpur was also completed and Dorsett City Hotel in London will be opened around July 2017;

- We issued US$300 million 3.75 percent 5 year notes due 2021 under Medium Term Note Programme;

Northern Gateway, Manchester, United Kingdom

Angel Meadow, NOMA, United Kingdom

- We won numerous international awards on company management, investor relations and corporate governance;

- Post year-end, we completed the sale of Silka West Kowloon, Hong Kong, recording a gain from the sale of approximately HK$316 million;

- Post year-end, we launched the pre-sale of Artra in Singapore and Marin Point in Hong Kong;

- Post year-end, we were also elected as the preferred proponent to develop Lots 3B, 6 and 7 of the Perth City Link in Western Australia, in addition to Lots 2 and 3A for an A$219 million project comprising the 270-room Dorsett Hotel and 350 apartments for which the Group bid successfully in late 2016;

Perth City Link, Australia

Perth City Link, Australia

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

MANAGING DIRECTOR'S REPORT

RESULTS HIGHLIGHTS

For FY2017, the Group recorded revenue of HK$5,005 million (FY2016: HK$3,995 million), a 25.3% increase as compared to FY2016. This significant growth was due to a strong sales performance in residential developments and an equally impressive performance in recurring income business.

Net profit for FY2017 was HK$1,118 million (FY2016: HK$734 million), an increase of 52.3% mainly as a result of the improved performance in both the property development and hotel divisions.

Reflecting confidence in the financial position of the Company, the Board recommended a final dividend of HK$0.15 per share. Together with an interim dividend of HK$0.035 per share, total dividend for the year will amount to HK$0.185 per share, an increase of 15.6% compared to last year, representing a payout ratio of 36.3%.

During the year, the Group launched a number of residential projects. As at 31 March 2017, the Group recorded cumulative pre-sales of HK$10.7 billion, exceeding the HK$10 billion mark for the first time which is a record high in the Company's history and provides good visibility for the Group's property sales in the coming years. Market capitalization of the Company exceeded USD 1 billion also for the first time during the year.

Additionally, post 31 March 2017, the Group launched pre-sales for Artra in Singapore, Marin Point in Hong Kong and West Side Place Tower 4 in Melbourne, the results of which have been encouraging, boosting our confidence further to execute our planned pipeline. The total GDV of the Group's residential pipeline now amounts to HK$47.2 billion, sufficient for the Group's developments in the next decade.

Revenue from hotel operations and management amounted to approximately HK$1,309 million during FY2017, a slight increase of 1.9% as compared to FY2016, primarily due to the stabilizing of the performance in Hong Kong in the second half of the year. Likewise, revenue from car park operations and facilities management increased 2.9% as compared to FY2016 to approximately HK$641 million for FY2017.

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

Artra, Singapore

Marin Point, Hong Kong

CAPITAL STRUCTURE AND BALANCE SHEET MANAGEMENT


Artra, Singapore

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

The Group issued US$300 million 3.75 percent 5 year notes due 2021 under the Medium Term Note Programme, representing a very successful fundraising by the Company in the international capital markets. The Group also secured an A$380 million construction facility for Elizabeth Quay in Perth, Australia.

As at 31 March 2017, the Group's cash and liquidity position amounted to HK$5.6 billion (HK$3.8 billion as at 31 March 2016). In addition, the Group's undrawn banking facilities was at HK$4.3 billion and the Group had 8 unencumbered hotel assets with capital value of HK$4.4 billion, which can be used as collateral for further bank borrowings and can provide further liquidity to the Group, should this be necessary.

Net gearing ratio (adjusting for hotel revaluation surplus of HK$13.4 billion which was not recognized on the balance sheet) was at 31.5%, 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, post 31 March 2017, the Group successfully completed the sale of Silka West Kowloon, Hong Kong, recording a gain from the sale of approximately HK$316 million. Through the exercise of evaluating options to monetize certain non-core hotel assets, we hope that we can further improve the liquidity position of the Group whilst demonstrating to our shareholders the underlying value of our hotel portfolio.

TEAM BUILDING

Our new teams in Perth and Manchester were set up to expand locally and to provide on-the-ground execution. We also strengthened our teams in the Hong Kong headquarters and Greater China. We believe talent is the most important asset for the Group. This is the source of the Group's professional competence and competitive edge, and has become an important element in supporting the Group's sustainable and stable development.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Group firmly believes that a high standard of corporate governance is the key to improving corporate profit and facilitating sustainable development. In recognition of the Group's efforts to improve corporate governance and corporate social responsibility, and to enhance its investor relations functions, the Group received a number of international awards. These include awards in the areas of company management, investor relations, corporate governance and corporate social responsibilities, which reflected the confidence of investors and general public in the Group.

Mr. Andrew Rashbass, CEO of Euromoney, presented the award to Tan Sri Dato' David Chiu, Chairman of FEC

Examples of awards include:

- Multiple awards in *FinanceAsia's Best Company Poll 2017*, highlighted by the "Best Mid-Cap Company in Hong Kong" and "Best CEO in Hong Kong – Tan Sri Dato' David Chiu" accolades;

- Fourteen awards and eight top honours in *2016 Asiamoney Polls* highlighted by the "Best Managed Small Cap Company Hong Kong" and "Best Overall for Corporate Governance Hong Kong" awards;

- "Best Listed Company at Social Responsibility" in the *Golden Hong Kong Stocks Awards 2016*;

- "Best Investor Relations Award – Ms. Venus Zhao" in the 2016 China Financial Market Listed Companies Awards;

- Gold Awards in four categories of Governance, Social Responsibility, Environmental Responsibility and Investor Relations at *The Asset Corporate Awards 2016*;

- Eight award nominations and triumphs with three awards at the *IR Magazine Awards – Greater China 2016* including "Best Overall Investor Relations (small & mid-cap)", "Best in Sector: Real Estate" and "Best Investor Relations Officer (small & mid cap) – Ms. Venus Zhao" honours;

- "Best Managed Company in Asia in the Real Estate Category" in *Euromoney's Best Managed Companies Survey 2016*;

- "Best IR Company (Small Cap)" in the *Hong Kong Investor Relations Association 2nd IR Awards*; and

- "Best at Corporate Social Responsibility" in *FinanceAsia's Asia's Best Managed Companies 2016 Poll*.

The first ESG (Environmental, Social and Governance) report focusing on the efforts and achievements of the Group which is incorporated and published in this annual report.

PROSPECTS

Looking at the year ahead of us, both positive and negative factors will be at play. It is expected that the global economy and the market conditions for the property sector in major cities in which the Group operates will remain challenging.

Following a period of monetary easing, the central banks in some of the major economies, in particular the United States, have stopped quantitative easing and have started to increase interest rates. The strong US dollar and the scale and timing of these interest rate hikes are likely to intensify volatility in global financial markets, which may impact the broader economy. In addition, the governments in a number of countries have imposed tightening measures on the property market such as higher stamp duty on property purchases and more stringent borrowing requirements for property buyers which are likely to persist for a period of time. Some of these measures are aimed at reducing potential overheating in the residential market and may have an impact on the operating

From the roof top of Artra, Singapore

environment for the Group in relation to property sales. Conversely, allowing the overheated market to moderately cool down would undoubtedly benefit healthy enterprises that are keen on long-term development. The Central Chinese Government is likely to continue to deepen supply-side structural reform and focus on introduction of a series of policies such as cutting excessive industrial capacity, de-stocking, de-leveraging, lowering costs and improving weak links.

A number of economists have raised concerns that the uncertainty brought by "Brexit" may have an impact on the British economy which may delay home-buying by consumers. On a brighter note though, it is anticipated that the depreciation of British pounds associated with Brexit will continue to stimulate the growth of tourism in the cities in UK which should benefit our hotel business.

The Chinese economy may continue to slow down, however, latest official data shows that it is still healthy and the absolute growth rate by any standard is still impressive.

Against this backdrop, we see many opportunities ahead. During the past year, the low land cost and growth potential in Manchester and Perth provided an opportunity for the Group to expand into these markets, while the hotel sector downturn in Hong Kong enabled the Group to implement renovations and prepare itself for the next cycle.

On the residential development business, the Group will continue to focus on the cities with good population growth potential. We will continue to strengthen the operating team and to selectively replenish our land bank. We will maintain resilience through economic cycles and 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. With the signing of the Northern Gateway deal, the Group has secured a significant pipeline in UK and the visibility of contribution from the residential development is good in the mid to long-term horizon.

On the hotel front, we believe that the market conditions in Hong Kong have bottomed out and with the support of tourists from other Asian and long haul regions such as Japan, South Korea, Indonesia, Philippines, Thailand, USA and Canada, the recovery is expected to continue. In overseas hotel markets, the industry as a whole is expected to benefit from the growing number of middle-class travelers in Asia who are traveling more frequently and spending more. We continue to experience growth in UK market and have seen recovery in a number of core Asian markets apart from Hong Kong. This, together with the new hotel additions namely Silka Tsuen Wan, Hong Kong and the soon-to-open Dorsett City Hotel in London as well as the revamped rooms of Dorsett Wanchai, Hong Kong and Dorsett Kuala Lumpur, will likely drive the growth in the business.

The Group's current portfolio of 21 operating hotels (approximately 6,600 rooms)*, a healthy pipeline of additional 14 hotels with approximately 3,500 hotel rooms by FY2023 as well as the continuing adoption of the "Chinese Wallet" strategy provide visibility of mid-term growth in the hotel segment.

The Group remains optimistic for further increase of the revenue of its hotel business.

The Group's car park operations and facilities management business is expected to continue to generate steady recurring income. Recently, the Group's car park business upgraded its central monitoring system thereby enhancing the control room operational functions and providing a better control of the day-to-day operations of the business thus paving a solid foundation for its regional expansion. The Group will continue to leverage on this technology and management platform to expand into other markets.

The recent acquisition of approximately 1,500 car park bays near the Manchester airport in UK provides the Group with a good starting point to grow and sustain a car parking management business in UK. The Group is looking into further expanding into the market with more acquisitions. It will continue to adopt the model of managing and operating self-owned car parks and third party car parks as it believes that car parks are a unique asset class that not only provides good operating cash flow but also offers property development potential.

In addition, in the longer term, the Group intends to utilize and leverage on the operating strengths of the Care Park brand to expand and will be actively looking for ways to further diversify its geographical presence by expanding into other locations with sustainable demand for car parking facilities.

Car park near Manchester Airport

* Excludes Silka West Kowloon, Hong Kong which was disposed in May 2017

In summary, the Group will continue to implement the following strategies to exploit its potential and generate new growth:

- Regional Diversification through strengthening of local execution teams;

- Deliver a strong residential pipeline by selective land acquisitions in cities with strong population growth potential; and

- Enhance recurring income from hotels, car parks and integrated resorts projects through delivering its current pipeline and making strategic acquisitions.

The Group will continue to enhance its financial management capacity 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 as well as its ample financial capacity, it is well-positioned for long-term and sustainable growth and to continue to expand its three core businesses. With the recent addition of Northern Gateway and Angel Meadow projects in Manchester and Perth City Link project in Perth, and the strong residential development pipeline, the Group can expect a stable growth in the mid-term. The Queen's Wharf Brisbane Integrated Resort project is also expected to deliver long term growth in recurring cashflow.

The Group will continue to reward its shareholders with strong dividends whilst retaining some earnings to facilitate growth. With a strong development pipeline and a growing recurring cashflow business, we are confident that the Group can continue to deliver long term value to the shareholders.

Cheong Thard HOONG
Managing Director

Care Assist

Customer Service in Care Park