MANAGEMENT DISCUSSION AND ANALYSIS

West Side Place, Melbourne

FINANCIAL AND BUSINESS HIGHLIGHTS

- Revenue and net profit attributable to shareholders of the Company for FY2017 increased by 25.3% and 52.3% respectively to approximately HK$5,005 million and HK$1,118 million respectively as compared to the financial year ended 31 March 2016 ("FY2016") primarily due to strong recorded sales in residential developments in Shanghai and Melbourne and improved performance in recurring income business (including the hotel division and car park division). Adjusted cash profit[i] amounted to HK$1,157 million (FY2016: HK$853 million).

- As at 31 March 2017, cumulative pre-sales value of properties under development amounted to approximately HK$10.7 billion (HK$7.5 billion as at 31 March 2016) following the successful launch of West Side Place Towers 1 and 2 in Melbourne.

- During FY2017, HK$6.8 billion pre-sale of residential developments was achieved (FY2016: HK$4.6 billion), an increase of approximately 47.8%, as compared to FY2016.

- Bank and cash balances and investment securities of the Group increased to approximately HK$5.6 billion as at 31 March 2017 (HK$3.8 billion as at 31 March 2016).

- Net gearing ratio[ii][iii] was 31.5% as at 31 March 2017 (37.7% as at 31 March 2016).

- Basic earnings per share amounted to HK$0.51 (FY2016: HK$0.37 per share). Final dividend increased to HK$0.15 per share (FY2016: HK$0.13 per share). Including HK$0.035 of interim dividend paid, total full year dividend will amount to HK$0.185 per share (FY2016: HK$0.16 per share), representing a dividend payout ratio of 36.3%, reflecting confidence in the financial position of the Group.

- Net asset value per share[iii] as at 31 March 2017 increased by HK$1 during FY2017 and reached approximately HK$10.79 per share (HK$9.79 as at 31 March 2016).

- For the FY2017, the Group was honoured with several international awards in relation to company management, investor relations, corporate governance and corporate social responsibility including the prestigious "Best Managed Company in Asia in the Real Estate Category" award from Euromoney.

- Post year end, disposal of Silka West Kowloon, Hong Kong was completed with a net profit of approximately HK$316 million.

- The Group also signed an agreement with the Manchester City Council to deliver the "Northern Gateway" development, arguably the largest residential project in Manchester delivering in excess of 10,000 new homes over the next decade.

Notes:

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

(ii) Net gearing ratio represents total bank loans, notes and bonds less investment securities, bank and cash balances divided by carrying amount of total equity and hotel revaluation surplus.

(iii) Revaluation surplus on hotel assets of approximately HK$13,354 million was based on independent valuation carried out as at 31 March 2017 (HK$10,732 million as at 31 March 2016) and was not recognized in the Company's consolidated financial statements, but was adjusted for the calculations of net asset value per share and net gearing ratio.

FINANCIAL REVIEW

1. Revenue analysis

The Company's consolidated revenue for FY2017 was approximately HK$5,005,000,000, an increase of 25.3% as compared with FY2016. A breakdown of revenue is shown below:

Major business	FY2017 HK$ million	FY2016 HK$ million	Change
Sales of properties	2,937	1,971	49.0%
Hotel operations and management	1,309	1,285	1.9%
Car park operations and facilities management	641	623	2.9%
Leasing of properties and others	118	116	1.7%
Total revenue	5,005	3,995	25.3%

Revenue from sales of properties amounted to approximately HK$2,937 million in FY2017, a robust increase of 49.0% as compared with FY2016, primarily due to increase in recognition of sales from completion of residential developments. In FY2017, projects completed included Manhattan at Upper West Side (Stage 4) in Melbourne and King's Manor in Shanghai.

Revenue from hotel operations and management amounted to approximately HK$1,309 million during FY2017, an increase of 1.9% as compared to FY2016, primarily due to the recovery of the performance of the hotels in Hong Kong (which is the major hotel revenue contributor) in the second half of FY2017 and the contribution from Silka Tsuen Wan, Hong Kong which opened in February 2017.

For FY2017, revenue from car park operations and facilities management amounted to approximately HK$641 million, an increase of 2.9% as compared to FY2016, and approximately 3,500 car parking bays were added to the Group's car park management portfolio.

Revenue relating to leasing of properties and others amounted to approximately HK$118 million for FY2017, an increase of 1.7% as compared to FY2016.

2. Analysis of gross profit

	Property development HK$'000	Hotel operations and management HK$'000	Car park operations and facilities management HK$'000	Others HK$'000	Total HK$'000
For FY2017					
Revenue	2,936,701	1,308,954	641,441	118,213	5,005,309
Gross profit	1,271,897	517,713	113,616	86,369	1,989,595
Depreciation	–	283,240	23,461	–	306,701
Adjusted gross profit	1,271,897	800,953	137,077	86,369	2,296,296
Adjusted gross profit margin	43.3%	61.2%	21.4%	73.1%	45.9%
For FY2016					
Revenue	1,970,830	1,284,605	622,673	116,982	3,995,090
Gross profit	1,002,272	541,203	116,781	46,077	1,706,333
Depreciation	–	278,549	20,235	–	298,784
Adjusted gross profit	1,002,272	819,752	137,016	46,077	2,005,117
Adjusted gross profit margin	50.9%	63.8%	22.0%	39.4%	50.2%

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit for FY2017 was approximately HK$1,990 million, an increase of 16.6% as compared with FY2016. Gross profit from sales of properties amounted to approximately HK$1,272 million in FY2017, representing an increase of 26.9% from FY2016. Gross profit margin from sales of properties was 43.3% in FY2017 (FY2016: 50.9%), lower than that in FY2016 as there was more recognition of sales from Australia which has a lower margin as compared to Mainland China.

Adjusted gross profit and adjusted gross profit margin from hotel operations and management amounted to approximately HK$801 million and 61.2% in FY2017. The performance reflects an improvement in the hotel business in Hong Kong in the second half of FY2017 versus the first half as well as the same period in FY2016.

Adjusted gross profit contribution from car park operations and facilities management was approximately HK$137 million for FY2017 due to a reduction in contribution from revenue from fines and penalties. The adjusted gross profit margin in this segment diluted slightly to 21.4% mainly due to a slight change in sales mix skewed towards third party car parks management contracts.

Gross profit from leasing of properties and others was approximately HK$86 million for FY2017 and the segment's gross profit margin was 73.1% in FY2017.

Net profit attributable to shareholders of the Company for FY2017 amounted to approximately HK$1,118 million, representing an increase of 52.3%, compared with FY2016. Contributions from the Group's non-Hong Kong operations were affected by the 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 operations:

Rate as at	As at 31 March 2017	As at 31 March 2016	Change
HK$/AUD	5.93	5.93	–
HK$/RMB	1.13	1.20	(5.8%)
HK$/MYR	1.75	1.97	(11.2%)
HK$/GBP	9.67	11.12	(13.0%)
HK$/SGD	5.56	5.74	(3.1%)
Average rates for	**FY2017**	**FY2016**	**Change**
HK$/AUD	5.93	5.93	–
HK$/RMB	1.17	1.23	(4.9%)
HK$/MYR	1.86	2.03	(8.4%)
HK$/GBP	10.40	11.29	(7.9%)
HK$/SGD	5.65	5.69	(0.7%)

Impact of such currency movement to the Group's net profit attributable to shareholders for FY2017 is analysed below:

	HK$' million
Profit attributable for FY2017	
Impact from:	
RMB	21.2
MYR	1.0
GBP	0.1
Total impact[i]	22.3

Note (i) assuming that the exchange rates do not change between FY2017 and FY2016.

3. Liquidity, financial resources and net gearing

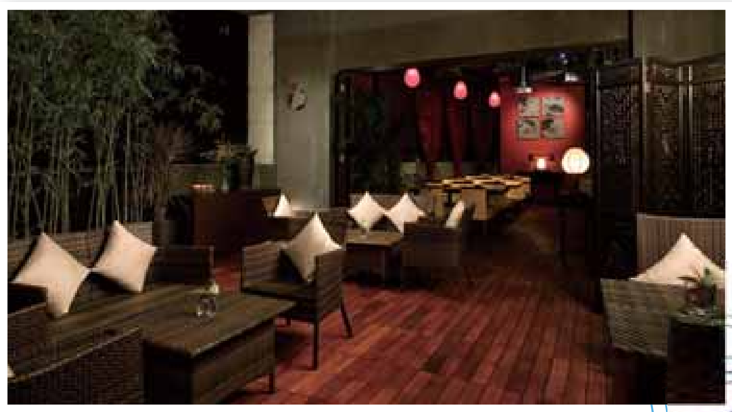
The following table sets out the Group's bank and cash balances, investment securities (which are considered as cash equivalent items due to their easily-monetizable nature), bank loans and borrowings and equity as at 31 March 2017.

	As at 31 March 2017 HK$ million	As at 31 March 2016 HK$ million
Bank loans, notes and bonds		
Due within 1 year	1,431	1,864
Due 1–2 years	4,482	1,691
Due 2–5 years	6,547	7,198
Due more than 5 years	814	920
Total bank loans, notes and bonds	13,274	11,673
Investment securities	1,467	1,219
Bank and cash balances	4,161	2,531
Liquidity position	5,628	3,750
Net debts[i]	7,646	7,923
Carrying amount of the total equity	10,944	10,267
Add: hotel revaluation surplus	13,354	10,732
Total adjusted equity	24,298	20,999
Net gearing ratio (net debts to total adjusted equity)	31.5%	37.7%

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

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

MANAGEMENT DISCUSSION AND ANALYSIS



Lan Kwai Fong Hotel @ Kau U Fong

The liquidity position of the Group as at 31 March 2017 was approximately HK$5.6 billion, representing an increase of 50.1% from the balance as at 31 March 2016, primarily due to the collection of sales proceeds upon completion of the Group's residential developments during FY2017 namely Manhattan at Upper West Side (Stage 4) in Melbourne and King's Manor in Shanghai, stable cash inflow from the Group's recurring income business as well as proceeds from the issuance of the medium term notes, which were offset by repayment of bank borrowings, equity requirement on some property-related projects and certain capital expenditure.

In August 2016, the Company successfully established a US$1,000 million medium term note programme (the "Medium Term Note Programme") which is listed on the Stock Exchange, under which the Company has the flexibility to issue multi-currency notes in the international capital market as and when funding is needed. In September 2016, the Company issued US$300 million 3.75 percent 5-year notes (the "Issue") due on 8 September 2021 under the Medium Term Note Programme. The Issue represented a highly successful fundraising by the Group in the international capital markets, and helped to extend the debt maturity profile of the Group. The proceeds from the Issue will be used for the Group's business development and general corporate purposes.

During FY2017, notwithstanding the Issue, the Group's net debts reduced by approximately HK$277 million to HK$7.6 billion. The Group will continue to repay development construction loans when the relevant projects are completed and to repay loans with shorter maturity and higher cost of funding, with an aim of locking in longer dated funding. The Group's average cost of borrowing was approximately 2.68% for FY2017 (3.16% for FY2016).

The table below shows the Group's debts profile.

	As at 31 March 2017 HK$ million	As at 31 March 2016 HK$ million
The Company's notes	2,311	–
Dorsett bonds	820	868
Unsecured bank loans	1,744	1,741
Secured bank loans		
– Property development and investment	3,418	3,907
– Hotel operations and management	4,572	4,821
– Car park operations and facilities management	398	327
– Others	11	9
Total bank loans, notes and bonds	13,274	11,673

The carrying amounts of the total bank loans, notes and bonds in the Company's consolidated statement of financial position as at 31 March 2017 include an amount of approximately HK$1,329 million (as at 31 March 2016: HK$1,073 million) which is reflected as current liabilities even though such sum is not repayable within one year, as the relevant banks and/or financial institutions have discretionary rights to demand immediate repayment.

As at 31 March 2017, the Group's undrawn banking facilities were approximately HK$4.3 billion which were all committed banking facilities, of which approximately HK$2.4 billion was in relation to construction development while the balance of approximately HK$1.9 billion was for the Group's general corporate use. The banking facilities together with sale proceeds to be generated from the Group's upcoming property development projects place the Group in a solid financial position to fund not only its existing business and operations but also to further expand its business.

In addition, upon completion of the disposal of Silka West Kowloon, Hong Kong, a total of 8 hotel assets within the Group remain unencumbered. The capital value of these 8 hotels amounted to HK$4.4 billion based on independent valuation assessed as at 31 March 2017. These assets can be used as collateral for further bank borrowings which can provide further liquidity for the Group, should this be necessary.

Adjusting for the unrecognized hotel revaluation surplus of approximately HK$13,354 million, based on independent valuation assessed as at 31 March 2017 (HK$10,732 million as at 31 March 2016), the Group's total consolidated equity as at 31 March 2017 was approximately HK$24,298 million. The net gearing ratio of the Group was at 31.5%.

4. Net asset value per share

	As at 31 March 2017 HK$ million	As at 31 March 2016 HK$ million
Equity attributable to shareholders of the Company	10,792	10,140
Add: Hotel revaluation surplus	13,354	10,732
Total net asset value	24,146	20,872
Number of shares issued (million)	2,238	2,132
Net asset value per share	HK$10.79	HK$9.79

Total net asset value of the Group reached approximately HK$24,146 million after adjusting for revaluation surplus on hotel assets of approximately HK$13,354 million, based on independent valuation assessed as at 31 March 2017 (HK$10,732 million as at 31 March 2016). Net asset value per share for the Company as at 31 March 2017 increased by HK$1 within the financial year and reached approximately HK$10.79.

5. Capital expenditure

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

During FY2017, the Group's capital expenditure amounted to approximately HK$458 million primarily attributable to the construction works on the Group's hotel properties, namely Silka Tsuen Wan, Hong Kong (opened in February 2017) and Dorsett City in London (to be opened in July 2017), as well as the renovation works in Dorsett Wanchai, Hong Kong (formerly known as Cosmopolitan Hotel) and Dorsett Kuala Lumpur. The capital expenditure was funded through a combination of borrowings and internal resources.

6. Capital commitments

	As at 31 March 2017 HK$ million	As at 31 March 2016 HK$ million
Capital expenditure contracted but not provided in the consolidated financial statements in respect of:		
Acquisition, development and refurbishment of hotel properties	1,175	319
Others	6	34
	1,181	353

7. Post balance sheet events

Northern Gateway Partnership

In April 2017, the Group signed an agreement with the Manchester City Council, UK to deliver the "Northern Gateway" project which spans across an area of more than 350 acres (equivalent to 15 million sq. ft.), sweeping north from Victoria Station and taking in the neighbourhoods of New Cross, the Lower Irk Valley and Collyhurst. This is the latest and arguably the largest residential opportunity for transformational change ever undertaken in Manchester. This investment partnership is expected to deliver in excess of 10,000 new homes over the next decade. It will allow the city centre to expand and provide the optimal mix of high quality housing in well-planned new areas. The over-arching vision of this project is essentially to create a series of distinct yet clearly connected communities that make the most of the area's natural resources. This is an addition to the Angel Meadow scheme under which the Group plans to build 756 new homes around the historic Angel Meadow Park located at the periphery of the Northern Gateway development.

The Group is currently developing a masterplan of the development within which the Group will identify infrastructure and building programmes, as well as a land acquisition strategy. The project is expected to provide the Group with a significant and long-term pipeline within UK and signals the fact that the Group is accelerating its expansion into UK market.

Development of Perth City Link Sites in Australia

Perth City Link, Australia

In May 2017, the Group was selected as the preferred proponent to develop Lots 3B, 6 and 7 of the Perth City Link in Western Australia. These three lots will be home to a range of apartments and an integrated complex. The Perth City Link is a major project being undertaken by the Western Australian Government to reconnect the Perth CBD and the entertainment district (Northbridge). The Western Australian Government has invested more than A$1.4 billion in the project to deliver world class transport infrastructure and create one of Australia's most unique transit oriented developments.

In late 2016, the Group was selected to develop Lots 2 and 3A at the Perth City Link, a development comprising a 270-room hotel under Dorsett's operation and 350 residential apartments. Altogether, the Perth City Link project will provide the Group with a good pipeline in Perth CBD for the years to come.

Sale of Silka West Kowloon, Hong Kong

Sale of Silka West Kowloon, Hong Kong

In May 2017, the Group, through the disposal of Double Advance Group Limited ("DAGL"), its wholly owned subsidiary, completed the sale of Silka West Kowloon, Hong Kong at a consideration of HK$450 million. Dorsett Hospitality International Services Limited, the Company's wholly owned subsidiary, concurrently entered into a hotel management agreement with DAGL as a manager providing hotel management services in relation to the management and operation of the hotel for a term of 6 years.

The Group is expected to record a gain of approximately HK$316 million attributable to the Group, net of the estimated expenses and taxes in relation to the sale.

This transaction provided a good opportunity for the Group to realise the profits made and to reflect the value of the hotel. With the Group remaining as the manager of the hotel under the brand of "Silka" and "絲麗", this allows the Group to continue its expansion into the hotel management business. The sale proceeds would provide additional cash flow to the Group to enable it to redeploy its resources to other investment opportunities.

For more details, please refer to the Company's announcements dated 3 March 2017 and 12 May 2017.

BUSINESS REVIEW

1. Property division

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

Artra, Singapore

Property investment comprises investments in retail and office buildings located in Shanghai, Hong Kong, Singapore and Melbourne. For FY2017, a fair value gain of investment properties of approximately HK$280 million was recognized, primarily due to an increase in fair value of the investment properties in Shanghai, Hong Kong and Melbourne (following completion of Upper West Side). As at 31 March 2017, valuation of investment properties reached approximately HK$3.0 billion (31 March 2016: HK$3.3 billion), a decrease of approximately HK$300 million mainly because of the disposal of Eivissa Crest in April 2016.

Eivissa Crest is a residential project with 106 residential apartments totalling approximately 36,000 sq. ft. in SFA. The site was previously acquired for the purpose of generating recurring income. However, having considered the market conditions, the Group subsequently decided to change the site to residential property development for sale, and accordingly, the site was treated as an investment property according to HKAS 40 "Investment Properties". Upon the delivery of these residential units in FY2017, the difference between the net disposal proceeds and the carrying amount of these units was recognized as gain on disposal of investment properties held for sale.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has a diversified portfolio in residential property development in Australia, Mainland China, Hong Kong, the United Kingdom, Singapore and Malaysia. To carry out property development in the various markets, the Group has established strong local teams in each of these markets which, coupled with the regionalization approach, allows the Group to take advantage of the different property cycles in different markets. This strategy 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 benefit from the growing affluence of the middle class.

In FY2017, presale of HK$6.8 billion was achieved and its breakdown is shown below. This compared to the total presales of HK$4.6 billion achieved in FY2016, reflects an increase of HK$2.2 billion or 47.8%.

		Presale value achieved in FY2017 HK$ million
Aspen Crest	Hong Kong	**162**
The Towers at Elizabeth Quay	Perth	**354**
Royal Riverside (Towers 1, 2 and 4)	Guangzhou	**834**
The Royal Crest II	Shanghai	**820**
West Side Place (Towers 1 and 2)	Melbourne	**4,571**
Others		**64**
		6,805

Total cumulative presales value of the Group's residential properties under development amounted to approximately HK$10.7 billion as at 31 March 2017. As revenue will only be recognized when the sales of the property developments are completed, value of the presales was not reflected in the Group's consolidated income statement. The Group expects a significant cash inflow when the projects are completed.

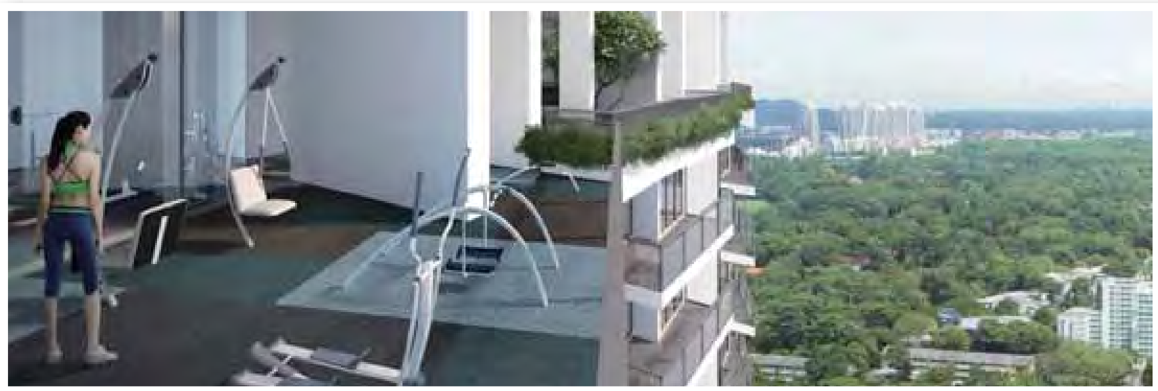
The following shows a breakdown of the Group's total cumulative presales value of residential properties under development as at 31 March 2017.

Developments	**Location**	**HK$ million**	**Expected financial year of completion**
Aspen Crest	Hong Kong	1,044	FY2019
The FIFTH	Melbourne	1,225	FY2018
West Side Place (Towers 1 and 2)	Melbourne	4,571	FY2021
The Towers at Elizabeth Quay	Perth	1,765	FY2020
King's Manor (remaining)	Shanghai	114	FY2018
The Royal Crest II	Shanghai	820	FY2018
Dorsett Bukit Bintang	Kuala Lumpur	297	FY2018
Royal Riverside (Towers 1, 2 and 4)	Guangzhou	887	FY2018
Cumulative contracted presales value		10,723	

Currently the Group has 24 active residential property development projects with expected attributable saleable floor area of approximately 8.7 million sq. ft. under various stages of development across the regions. Details of the Group's pipeline as at 31 March 2017 are shown below.

Developments	Attributable saleable floor area[i] Sq. ft.	Expected attributable GDV[ii] HK$ million	Status/ expected launch	Expected financial year of completion
Melbourne				
West Side Place				
– Towers 1 and 2	1,072,000	5,601	Launched	FY2021
– Towers 3 and 4 [iii]	1,501,000	7,502	Tower 3: Planning Tower 4: FY2018	Tower 3: Planning Tower 4: FY2022/23
The FIFTH	284,000	1,225	Launched	FY2018
Perth				
Perth City Link (Lot 2)	190,000	916	Planning	Planning
The Towers at Elizabeth Quay	320,000	2,733	Launched	FY2020
Brisbane				
Queen's Wharf Brisbane[iv]				
– Tower 4	259,000	1,104	FY2019	Planning
– Tower 5	224,000	1,119	Planning	Planning
– Tower 6	439,000	2,198	Planning	Planning
Shanghai				
King's Manor (Townhouse)	77,000	463	Launched	FY2018
The Royal Crest II	259,000	1,316	Launched	FY2018
Guangzhou				
Royal Riverside				
– Towers 1, 2 and 4	390,000	1,138	Launched	FY2018
– Towers 3 and 5	293,000	873	FY2018	FY2019
Hong Kong				
Aspen Crest	64,000	1,065	Launched	FY2019
Tan Kwai Tsuen	51,000	714	FY2018/19	FY2019
Marin Point	103,000	1,075	FY2018	FY2019
Sham Shui Po	28,000	560	FY2018	FY2019/20
Tai Wai	33,000	627	FY2019	FY2019/20
Shatin Heights	70,000	1,200	Planning	Planning
Kuala Lumpur				
Dorsett Bukit Bintang	215,000	755	Launched	FY2018
London				
Alpha Square	377,000	4,014	FY2018/19	Planning
Hornsey Townhall	102,000	839	FY2018/19	Planning

MANAGEMENT DISCUSSION AND ANALYSIS



From the roof top of Artra, Singapore

Developments	Attributable saleable floor area[i] Sq. ft.	Expected attributable GDV[ii] HK$ million	Status/ expected launch	Expected financial year of completion
Manchester				
Angel Meadow at NOMA	551,000	2,142	FY2018	FY2020/21
Singapore				
Artra[v]	290,000	2,624	FY2018	FY2021
Total development pipeline as at 31 March 2017	**7,192,000**	**41,803**		
Acquired post 31 March 2017				
Manchester				
Northern Gateway[vi]	1,500,000[v]	5,400[v]	Developing master plan	
Total development pipeline post 31 March 2017	**8,692,000**	**47,203**		

Notes:

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

(ii) The amounts represent expected GDV attributable to the Group, which may change subject to market conditions.

(iii) Includes the hotel and retail components of the development, subject to finalization of development plans.

(iv) This residential development consists of a total floor area of approximately 1,800,000 sq. ft.. The Group has 50% interest in the development.

(v) Total saleable floor area of this development is approximately 410,000 sq. ft.. The Group has 70% interest in the development.

(vi) The saleable floor area and GDV figure is estimated based on land already acquired and expected number of units to be built. Further land acquisitions are expected and will increase both saleable floor area and GDV for the Northern Gateway development. Expected saleable floor area is subject to planning approval.

In addition to the above, the Group has entered into memoranda of understanding with the partners of Destination Brisbane Consortium to develop The Star's casino sites in Gold Coast and Sydney. Subject to the planning approval, the development of the casino site in Gold Coast will be staged and residential apartments' and hotels will be integrated into a broader development and upgrade of the site being undertaken by the Star Entertainment Group. Planning approval for stage 1 of the Gold Coast site consisting of 406 apartments and a 300-room hotel has been obtained while the remaining stages are under planning. The development of the casino site in Sydney is still at the master planning stage. These projects are expected to contribute to the residential pipeline of the Group.

Post year end, the Group was also selected as the preferred bidder for Lots 3B, 6 and 7 of the Perth City Link project. For further details, please see below.

Australia

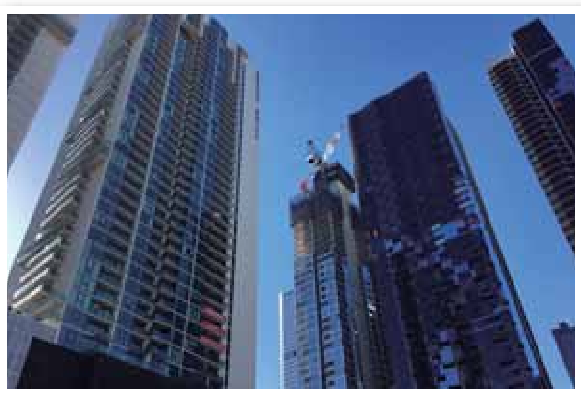
Melbourne

West Side Place is a mixed-use residential development located in CBD of Melbourne. This development is expected to have a residential saleable floor area of approximately 2.2 million sq. ft. from 4 towers with approximately 2,800 apartments. A hotel which will be operated by Ritz Carlton with approximately 263 hotel rooms will be located at the top of Tower 1. Presales of Towers 1 and 2 were launched in June 2016 and presale value of HK$4.6 billion was achieved representing 82.1% of the total expected GDV of HK$5.6 billion for these 2 towers as at 31 March 2017. Construction of Towers 1 and 2 is expected to begin in 2017 with completion expected in the financial year ending 31 March 2021. Presale of Tower 4 was launched in June 2017. Total GDV of the whole development of West Side Place is expected to be more than HK$13 billion. This development is expected to generate significant earnings in the coming few years.

The FIFTH is located next to West Side Place and provides 402 apartments. This development with a total GDV of approximately HK$1.2 billion has been completely presold. It is expected to be completed in the second half of the financial year ending 31 March 2018.

Manhattan at Upper West Side (Stage 4) was completed in late July 2016. It consists of 641 apartments with GDV of approximately HK$1.7 billion. Approximately 5.6% (or 36 apartments) of the pre-sales were not completed as at 31 March 2017 with 30 units subsequently sold.

West Side Place, Melbourne



Manhattan at Upper West Side (Stage 4), Melbourne

MANAGEMENT DISCUSSION AND ANALYSIS

Perth

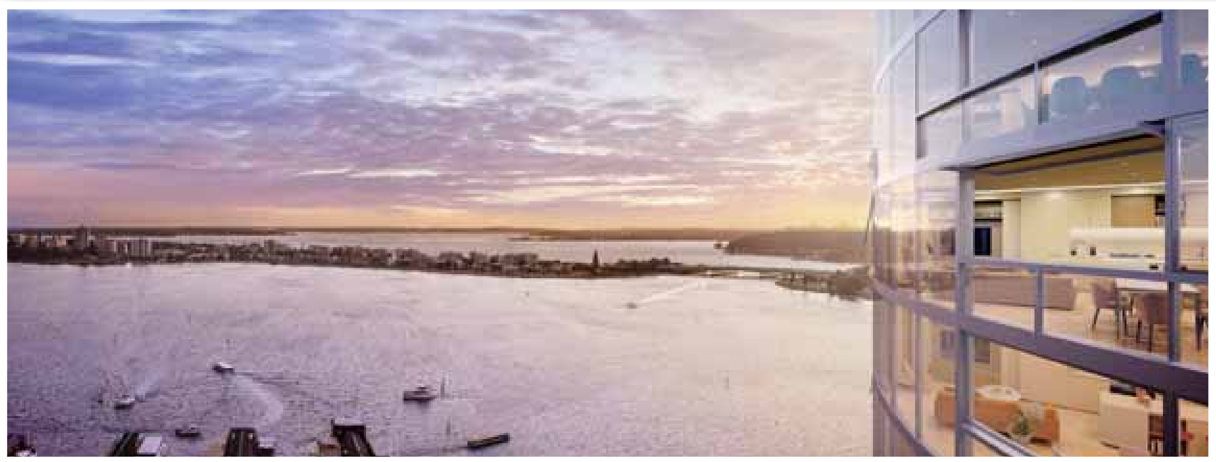
The Towers at Elizabeth Quay is a mixed-use development comprising residential apartments of approximately 320,000 sq. ft. in saleable floor area, a luxury hotel with 204 rooms to be operated by Ritz-Carlton, approximately 20,000 sq. ft. of commercial or retail area as well as other ancillary facilities. As at 31 March 2017, its pre-sales value reached approximately HK$1.8 billion, representing 66.7% of the expected GDV. Construction is currently underway and development is expected to be completed in the financial year ending 31 March 2020.

In late August 2016, the Group signed a contract to purchase Lots 2 and 3A of the Perth City Link project which is a mixed use development located adjacent to the Perth Arena. This project is expected to deliver more than 300 residential apartments and approximately 270 hotel rooms to be operated by Dorsett. Subsequently in May 2017, the Group was selected as the preferred proponent to develop Lots 3B, 6 and 7 of the Perth City Link project. These three lots will be home to a range of boutique apartments and an integrated retail, entertainment and hospitality complex.

The Perth City Link is a major project being undertaken by the Western Australian Government to reconnect the Perth CBD and the entertainment district. Altogether, these 5 lots of the Perth City Link project will provide the Group with a good pipeline in Perth CBD for the coming years.

The Towers at Elizabeth Quay, Perth

The Towers at Elizabeth Quay, Perth



The Towers at Elizabeth Quay, Perth

The Queen's Wharf Project, Brisbane

The Queen's Wharf Project, Brisbane

Brisbane

The residential component of the Queen's Wharf Project consists of 3 residential towers with SFA of approximately 1,800,000 sq. ft. The first tower is expected to be launched in FY2019. This residential component is 50% owned by the Group with the remaining 50% owned by CTF.

Preliminary construction work of Queen's Wharf, Brisbane including the integrated resort (of which the Group owns 25%) started in early 2017 after the land was handed over by the government. The project encompasses a total area of approximately 9.4 hectares and envisages three residential towers, five world-class hotels, high-end food and commercial outlets and a casino in Brisbane's prime waterfront district. The total core development gross floor area of the project is expected to be 544,600 square meters ("sq. m.") of which approximately 167,000 sq. m. relates to the residential component.

The integrated resort component is expected to commence operation in stages in or before 2022. The project brings together the Group's experience in international hospitality operation and mixed-use development, CTF's extensive VIP customer base in Mainland China and Asian markets, as well as The Star's operational experience in integrated resorts.

In October 2016, the new casino license was granted by the Queensland Government, Australia. Operation of the casino is permitted to commence upon completion of the integrated resort component of the development. This casino license will deliver the key operating terms for successful delivery of the integrated resort which includes a casino license term and an integrated resort precinct lease term of 99 years, a 25-year casino exclusivity period within 60 kilometres from the Brisbane CBD from commencement of operations of the integrated resort, maximum approved electronic gaming machines of 2,500, and unlimited gaming tables (including electronic derivations).

The project is expected to contribute significantly to the Group's recurring cash flow stream as well as residential development pipeline.

Mainland China

The Group has been developing California Garden, a premier township development 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, 2 residential phases, namely King's Manor and The Royal Crest II, are under various stages of completion.

King's Manor consists of 479 apartments and 90 town houses, of which 476 apartments and 54 town houses had been delivered up to 31 March 2017. The remaining portion with an expected GDV of HK$463 million is expected to be delivered and recognized as revenue in the financial year ending 31 March 2018.

The Royal Crest II consists of 180 apartments and 42 town houses. The expected GDV is approximately HK$1,316 million. As at 31 March 2017, all of the apartments amounting to HK$745 million were completely presold. Presale for town houses commenced in September 2016. Total presale value of the whole development reached HK$820 million, representing 62.3% of its total GDV. The Royal Crest II is expected to be completed in the financial year ending 31 March 2018.

In Guangzhou, Royal Riverside is a 5-tower residential development producing 607 apartments with a total saleable floor area of approximately 683,000 sq. ft. and a total expected GDV of approximately HK$2 billion. Towers 1, 2 and 4 started to show its strong momentum since the second half of FY2017 with the cumulative pre-sales value reaching HK$887 million as at 31 March 2017. Presale of Tower 3 is expected to be launched in FY2018 and completion of the two stages of the development is expected in the financial years ending 31 March 2018 and 2019 respectively.

King's Manor, Mainland China

Royal Riverside, Guangzhou

The pre-sale launch of Marin Point, Hong Kong

Site of Marin Point, Hong Kong

Hong Kong

The Group continues to seek development opportunities in Hong Kong through participation in government tenders and bidding for projects with the Urban Renewal Authority ("URA").

Currently the Group has 6 residential projects in the pipeline in Hong Kong.

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 2017, its presales value reached over HK$1 billion, representing 98.0% 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 2018. Completion is expected to be in the financial year ending 31 March 2019.

Marin Point, located at Sha Tau Kok comprises 261 low-rise apartments with approximately 103,000 sq. ft. in saleable floor area. Total expected GDV is HK$1.1 billion. Its presale was launched in May 2017 with a satisfactory presale performance. Completion is expected in the financial year ending 31 March 2019.

A residential development site at Hai Tan Street, Sham Shui Po was acquired through URA. This residential development will comprise 72 apartments (mainly 1-bedroom apartments) with approximately 28,000 sq. ft. in saleable floor area. Expected GDV is HK$560 million. Presale is expected to commence in FY2018 with completion anticipated to be in the financial year ending 31 March 2019/2020.

A development site at Mei Tin Road, Tai Wai, comprises 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. Total expected GDV is HK$627 million. Completion is expected to be in the financial year ending 31 March 2019/2020.

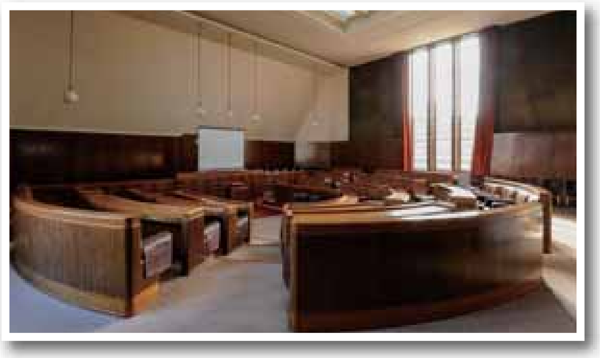
Another residential development site at Tai Po Road Shatin Heights comprises more than 60 apartments and 4 houses. The project has a gross floor area of approximately 88,000 sq. ft. and is currently under planning stage.

MANAGEMENT DISCUSSION AND ANALYSIS

Malaysia

Dorsett Bukit Bintang is a residential development adjacent to Dorsett Regency Kuala Lumpur. This development consists of 252 high-rise apartments with approximately 215,000 sq. ft. in saleable floor area. As at 31 March 2017, presales value reached approximately HK$297 million, representing 39.3% of the total expected GDV. Completion is expected to take place in the financial year ending 31 March 2018. The Group is considering allocating a portion of the development to be operated as serviced apartments.

Angel Meadow at NOMA, Manchester



Hornsey Town Hall, London

United Kingdom

London

Alpha Square is a residential development site in Marsh Wall, Canary Wharf, London. The development will feature a mixed-use complex including residences of approximately 377,000 sq. ft. in saleable floor area, a hotel of approximately 231 rooms and commercial facilities. The Group is reviewing an opportunity to combine this site with an adjacent site for joint development.

Hornsey Town Hall, located in North London, is a redevelopment project which will be converted into a mixed-use development featuring a residential component, a hotel/serviced apartment tower and a town hall with communal areas. The residential component will provide approximately 120 apartments with saleable floor area of approximately 102,000 sq. ft.. The hotel/serviced apartment and communal areas will provide recurring income to the Group. The development is under planning stage.

Manchester

In August 2016, the Group was appointed by Manchester Place and The Co-operative Group as the developer for the Angel Meadow site at NOMA, one of the major residential growth areas for Manchester, the United Kingdom. The plan is to build more than 756 apartments with approximately 551,000 sq. ft. saleable floor area around the historic Angel Meadow Park, which is at the periphery of the Northern Gateway development. Presale is expected to be launched in the financial year ending 31 March 2018.

As mentioned under "Post Balance Sheet Events" above, the Group signed an agreement to deliver the "Northern Gateway" project in Manchester. The project, subject to further land acquisitions, represents a significant addition of over 10,000 new homes over the next decade to the Group's development pipeline. The Group is currently developing a master plan for the project.

Singapore

Artra is a residential project located next to the Redhill MRT station in Singapore. The development consists of 400 apartments with approximately 410,000 sq. ft. in saleable floor area and a commercial component of approximately 20,000 sq ft. This development is owned by a joint venture in which the Group has a 70% interest. The Group launched the presale in April 2017.

2. Hotel operations and management

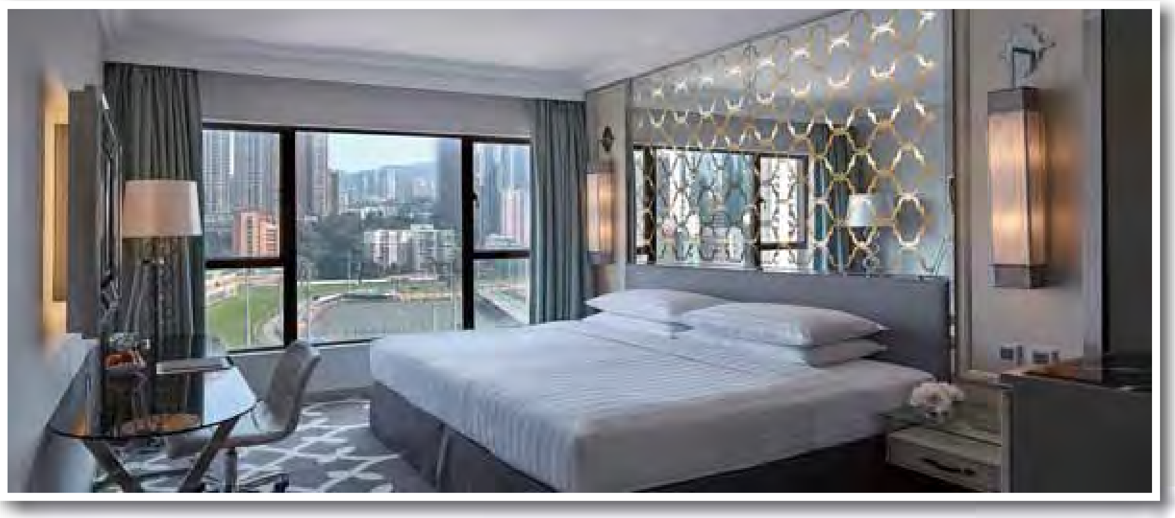
The following summarises the regional operating performance of Dorsett's owned hotels for FY2017 and FY2016 in local currency ("LC").

	Occupancy Rate		Average room rate		RevPar		Revenue	
			(LC)	(LC)	(LC)	(LC)	(LC' 000)	(LC' 000)
For the year ended 31 March	2017	2016	2017	2016	2017	2016	2017	2016
Hong Kong (HK$)	90.1%	86.0%	695	731	626	629	665,300	650,496
Malaysia (MYR)	66.8%	65.8%	190	189	127	124	112,236	106,181
Mainland China (RMB)	61.2%	50.9%	411	414	251	211	188,011	161,712
Singapore (SGD)	80.2%	82.0%	181	192	145	157	16,480	17,727
United Kingdom (GBP)	88.0%	79.3%	99	98	87	78	11,700	10,583
			(HK$)	(HK$)	(HK$)	(HK$)	(HK$'000)	(HK$'000)
Group Total	77.6%	72.7%	625	666	485	484	1,308,954	1,284,605

The Group's hotel operations for FY2017 recorded a total revenue of approximately HK$1.3 billion, representing an increase of 1.9% from that in FY2016. Overall occupancy rate increased approximately 4.9 percentage points. Affected by adverse currency movements, overall average room rate decreased 6.2% to HK$625 per night. As a result, RevPAR was maintained at a similar level to that of FY2016 at HK$485 for FY2017.

Dorsett Wan Chai, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS



Dorsett Wan Chai, Hong Kong

Hong Kong remained the main contributor to the Group's hotel operations which accounted for approximately 50% of the hotel revenue. The occupancy rate ("OCC") increased approximately 4.1 percentage points and average room rate ("ARR") decreased by 4.9% to HK$695 as compared to last year, resulting in a slight decrease in the RevPAR for Hong Kong to HK$626 per night. In February 2017, Silka Tsuen Wan, Hong Kong opened contributing 409 rooms to the Group's operating portfolio. Overall improvement in performance in the second half of FY2017 as shown below and the addition of the hotel rooms helped to increase revenue in Hong Kong to HK$665 million for FY2017.

	FY2017		FY2016	
Hong Kong	2H	1H	2H	1H
Occupancy rate	92.8%	87.2%	86.3%	85.7%
Average room rate (HK$)	751	632	783	679
RevPar (HK$)	697	551	676	582

OCC and ARR for Hong Kong in the second half of FY2017 were recorded at 92.8% and HK$751 respectively while RevPar was HK$697. In FY2017, the Group was able to capture the improving market by adopting a new sales and marketing strategy to attract a wider base of more diverse international visitors. The improved performance in Hong Kong is expected to extend into the near future. With the renovated rooms of Dorsett Wanchai, Hong Kong (rebranded from Cosmopolitan Hotel) and Silka Far East, Hong Kong as well as the addition of rooms contributed by the newly-opened Silka Tsuen Wan, Hong Kong, the Group remains optimistic in further maximizing its revenue and enhancing its market competitiveness.

In Malaysia, revenue from hotel operations and management for FY2017 increased by 5.7% to approximately MYR112 million as compared to FY2016. OCC and ARR were maintained at similar levels to those of FY2016. RevPar had a slight increase to MYR 127 per night. As shown from the 2 years' operating data below, the operating performance of hotels in Malaysia is stabilizing and steadily improving.

	FY2017		FY2016	
Malaysia	2H	1H	2H	1H
Occupancy rate	65.4%	68.3%	65.4%	66.2%
Average room rate (MYR)	194	187	188	190
RevPar (MYR)	126	128	123	126

In Singapore, Dorsett Singapore recorded revenue of approximately SGD16 million for FY2017, similar to the level of FY2016. For FY2017, OCC was 80.2% and ARR was SGD181 per night. RevPAR was recorded at SGD145 per night. Further details of the 2 years' operating data of the performance in Singapore are provided in the following.

	FY2017		FY2016	
Singapore	2H	1H	2H	1H
Occupancy rate	80.8%	79.5%	83.1%	80.9%
Average room rate (SGD)	176	187	192	191
RevPar (SGD)	142	149	160	155

In Mainland China, OCC in FY2017 increased by 10.3 percentage points compared with the last financial year while ARR kept at a similar level at RMB411. As a result, RevPAR increased by 19.0% to RMB251 as compared to FY2016. Revenue increased by 16.3% to approximately RMB188 million for FY2017 mainly due to the significant improved performance of Dorsett Grand Chengdu and Dorsett Shanghai. OCC of Dorsett Grand Chengdu rose by 21.7 percentage points to 59.3% while RevPar soared by 51.4% to RMB202. Dorsett Shanghai benefitted from a more diversified customer mix and higher proportion of corporate and exhibition customers which resulted in its OCC's incline of 8.5 percentage points to 85.3% and RevPar at RMB581 for FY2017, an increase of 17.4%, as compared to FY2016. It is expected that the operational performance of hotels in Mainland China will continue to grow as illustrated by the 2 years' operating data below.

	FY2017		FY2016	
Mainland China	2H	1H	2H	1H
Occupancy rate	62.7%	59.7%	50.8%	51.1%
Average room rate (RMB)	408	414	408	429
RevPar (RMB)	256	247	207	219

In the United Kingdom, Dorsett Shepherds Bush recorded revenue of approximately GBP12 million for FY2017, an increase of approximately 10.6% as compared to FY2016. In the second half of 2017, the depreciation of Sterling Pound improved UK's tourism business including performance of the hotels in London. OCC improved by 8.6 percentage points to 88% and RevPAR rose by 11.9% to GBP87 per night. Dorsett Shepherds Bush' recent operating data below show that its performance for FY2017 was stable and is expected to continue to grow.

	FY2017		FY2016	
United Kingdom	2H	1H	2H	1H
Occupancy rate	86.4%	89.4%	68.7%	90.0%
Average room rate (GBP)	97	102	99	97
RevPar (GBP)	84	91	68	88

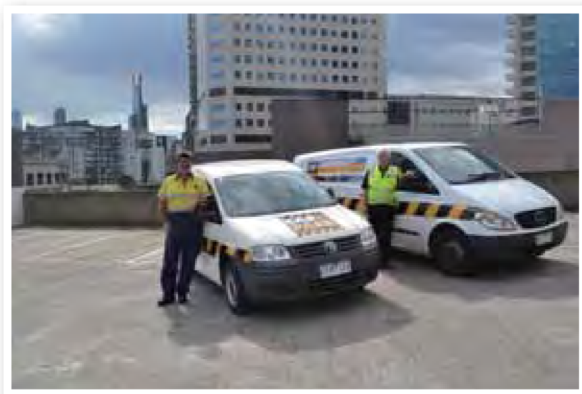
On 6 February 2017, together with The Star and CTF, the Group completed the acquisition of the Sheraton Grand Mirage Resort at Gold Coast, Australia. The Group owns a 25% interest in the joint venture. The Sheraton Grand Mirage Resort is an iconic property and Gold Coast's only 5-star beachfront resort. Property facilities include 295 rooms and suites, a swimming pool, fitness centre, spa facilities and surrounding beach. This was a tremendous opportunity as the Sheraton Grand Mirage Resort is a unique hotel property that offers not only existing cash flow stream but also potential development opportunity. The beachfront property is highly complementary to the Queen's Wharf Brisbane project and will immediately add operating capacity to the Group's current portfolio of hotels. Furthermore, the hotel site includes surplus land which provides room for expansion, subject to planning in the future.

On 12 May, 2017, the Group's wholly owned subsidiary which owns Silka West Kowloon, Hong Kong was sold for HK$450 million with the Group continuing to manage the hotel for a term of 6 years. Please refer to the "Post Balance Sheet Events" above and the Company's announcements dated 3 March 2017 and 12 May 2017 for more details.

Dorsett City hotel in London is expected to open in the first half of the financial year ending 31 March 2018. This 13-storey hotel will add 267 rooms to the Group's current operating portfolio. With its location right next to the Aldgate Station, it is in a perfect spot for both business and leisure travelers.

Currently, the Group operates 21 owned hotels (9 in Hong Kong, 5 in Malaysia, 4 in Mainland China, 1 in Singapore, 1 in London and 1 in Gold Coast) with approximately 6,600 rooms. The Group has 14 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. With the disposal of Silka West Kowloon, Hong Kong in May 2017 and when all the hotels in the pipeline become operational, the Group will own 35 hotels operating approximately 10,100 rooms. The Group also manages 3 other hotels (1 in Hong Kong and 2 in Malaysia) with approximately 700 rooms.

3. Car park operations and facilities management



In FY2017, the Group's car park business completed a program to upgrade its central monitoring system, enabling the management team of this business to have a better control on the day-to-day operations of the business and providing a strong foundation for acquisition and growth. The Group's car park division is currently actively evaluating a number of acquisition opportunities.

In December 2016, the Group acquired a car park in the vicinity of Manchester Airport in UK at a consideration of GBP13.4 million. This car park will continue to be operated under the brand of FSS Manchester Airport Car Park. With a capacity of approximately 1,500 car parking bays, it is expected to enhance the source of steady cash flow to the Group. This car park is jointly owned on a 50/50 basis by the Company and Care Park and is the first acquisition in UK for both companies marking an important and meaningful milestone of the partners' overseas expansion.

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 390 car parks with approximately 74,500 car parking bays as at 31 March 2017, having added approximately 3,500 car parking bays during FY2017. Of the Group's 390 car parks, 29 were self-owned car parks (23 in Australia, 3 in New Zealand, 2 in Kuala Lumpur and 1 in Manchester) comprising approximately 9,200 car parking bays, with the remaining 65,300 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 64 contracts in relation to facilities management services as at 31 March 2017 as well as its entry into UK market, it is expected that the car park operations and facilities management business will continue its steady growth.

OUTLOOK

Market conditions for the property sector in major cities in which the Group is operating 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. A number of economists have also raised concerns that uncertainty brought by "Brexit" may have an impact on the British economy which may delay house buying by consumers. In addition, the government of a number of countries has imposed tightening measures such as higher stamp duty on property purchases and more stringent borrowing requirements for property buyers. Some of these measures are aimed at reducing potential overheating in the residential market and may have an impact on the operating environment for the Group in relation to property sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Artra, Singapore

Despite the above, the Group is confident that it has a strong balance sheet to weather any potential volatility in the property market. Over the last several years, the Group has strengthened its balance sheet with strong retained earnings. It has also accumulated significant revaluation surplus within its hotel portfolio. With an updated valuation on its hotel portfolio, the Group's net gearing ratio was reduced to a comfortable level of 31.5% as at 31 March 2017, taking into account the revaluation surplus. In fact, the Group is well positioned to continue to expand its three core businesses. With a total cash and investment securities position totalling HK$5.6 billion and total undrawn credit facilities of HK$4.3 billion, the Group has ample capacity to seek further growth opportunities by enhancing its development pipeline for both residential and hotel development as well as through selective land acquisitions.

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. This, combined with cumulative presales reaching over HK$10 billion as at 31 March 2017 and the recent strengthening of the development pipeline, the visibility of contribution from the residential development is good in the mid- to long-term horizon.

On the hotel front, the Group currently has 21 operating own hotels (approximately 6,600 rooms) and has a healthy pipeline of additional 14 hotels and approximately 3,500 rooms planned. We continue to experience growth in UK market and have seen recovery in a number of other core Asian markets. This, together with the new hotel additions, will likely drive the growth in the business. The Group will continue to adopt a "Chinese Wallet" strategy and pursue opportunities arising from the anticipated increase in the outbound tourist numbers from Asia.

In respect of the car park business, the Group will continue to leverage on the technology and management platform it has built to expand into other markets. With the recent acquisition of the 1,500 car parking bays near the Manchester Airport, the Group intends to further expand 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. The Group believes that car parks are a unique asset class that not only provide good operating cash flow but also offer property development potential.

Preliminary construction work has commenced on the Queen's Wharf Brisbane project. When completed, this will bring a new strong cashflow stream for the Group.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had approximately 3,600 employees. The Group provides its employees with comprehensive benefit packages and career development opportunities, including medical benefits, both internal and external training appropriate for various level of staff roles and functions.