MANAGING DIRECTOR'S REPORT

FROM STRENGTH TO STRENGTH

FY2018 Key Achievements

FY2018 was an exciting year for the Group with the implementation of a number of major developments as well as key initiatives. The Group recorded a healthy increase in both revenue and net profit resulting from the completion of a number of major residential projects together with better overall performance in our hotel and car parking operations. The privatisation of Dorsett Group a few years ago has allowed greater capital allocation flexibility for the wider group to achieve higher return on equity and sow the seed for a number of larger initiatives which we believe will bring significant longer term financial reward to the Group.

In summary:

- The Group broke its record achieving the highest level of profitability in history
- The Group's market cap exceeded US$1 billion for the first time and increased to approximately HK$10.3 billion as at 26 June 2018
- We completed four projects, including Royal Crest II in Shanghai, Dorsett Bukit Bintang in Kuala Lumpur, The FIFTH in Melbourne, and Royal Riverside (Towers 1 to 4) in Guangzhou
- We launched seven new projects, including MeadowSide (Plots 2 and 3) in Manchester, Astoria Crest and Marin Point in Hong Kong, West Side Place Tower 4 (Gold Release) in Melbourne, The Star Residences in Gold Coast, Artra in Singapore, and Royal Riverside (Tower 3) in Guangzhou
- The Group's cumulative contracted presales as at 31 March 2018 amounted to a record-breaking HK$13.4 billion
- We made a number of land acquisitions including Perth City Link Lots 3B, 6 and 7 in Perth, Northern Gateway in Manchester, and Holland Road in Singapore, to replenish our land bank and add to our development pipeline
- We signed the development contract for the Northern Gateway project in Manchester, with a plan to deliver in excess of 10,000 residential units over a 10-year timeframe
- We opened Dorsett City Hotel and Dorsett Residence Bukit Bintang, both of which have been well received by our customers. Construction of 9 new hotels in Australia are under way with the Ritz Carlton Perth scheduled to open in 2019
- We completed the sale of Silka West Kowloon in Hong Kong recognizing a gain of HK$320 million and allowing the capital to be recycled towards other projects
- We expanded our car parking operations in Europe with the acquisition of 6 car parks in Budapest, Hungary with 1,400 parking bays
- We issued US$150 million 4.5% 5.5-year notes due 2023 under our medium term note program extending our debt maturity

- We invested in BC Securities, which specializes in providing residential mortgages to international buyers with the objective of complementing our international residential development business. BC Securities has secured A$500 million non-recourse third party financing to support its operations

- We strengthened our management team with the appointment of a number of senior executives and established a new regional office in Manchester

Post year end:

- We formed strategic alliance with and completed our strategic investment in The Star, taking approximately 5% equity stake in The Star

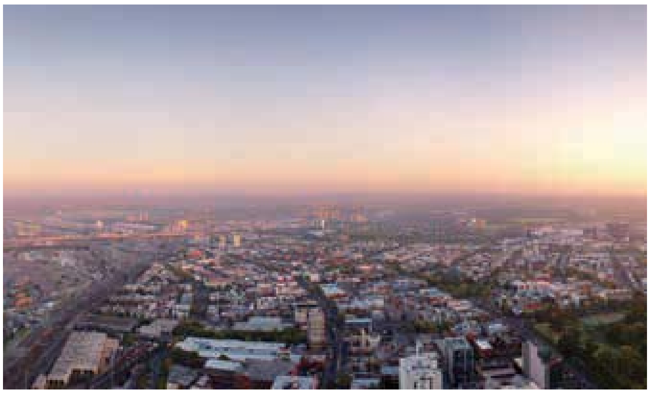
- We completed the acquisition of TWOC, which the Group intends to use as its gaming operation platform

- Construction of Queen's Wharf Brisbane Integrated Resort Project advanced smoothly with Plan of Development approval issued in December 2017. Demolition has been completed, and excavation and shoring are under progress. The project is expected to be completed in FY2022

- We replenished four parcels of land, including the Estoril site at Holland Road, GLS site on Cuscaden Road, and 21 Anderson Road, all in Singapore, and a new site of Northern Gateway in Manchester

- We launched four projects including West Side Place (Tower 3) in Melbourne, Hornsey Town Hall in London, Royal Riverside (Tower 5) in Guangzhou, and The Garrison in Tai Wai, Hong Kong

The Garrison in Tai Wai, Hong Kong



Hornsey Town Hall, London

From the roof top of West Side Place (Tower 3), Melbourne

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Results Highlights

For FY2018, the Group recorded revenue of HK$5,831 million (FY2017: HK$5,005 million), a 16.5% increase as compared to FY2017. 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 FY2018 was HK$1,567 million (FY2017: HK1,118 million), an increase of 40.2% mainly as a result of the improved performance in both the property development and hotel divisions, and the gain from disposal of Silka West Kowloon.

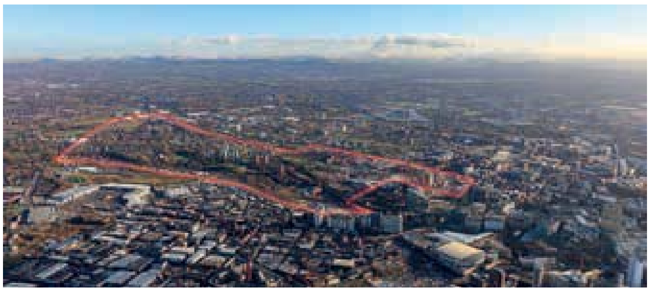
Reflecting confidence in the financial position of the Company, the Board recommended a final dividend of HK$18 cents per share. Together with an interim dividend of HK$4 cents per share, total dividend for the year will amount to HK$22 cents per share, an increase of 18.9% compared to last year, representing a payout ratio of 31.9%.

A stronger FEC

With the recent investment in gaming business, we have established a new gaming division to complement our hospitality business. Our established "Chinese Wallet" strategy has now been extended to "Asian Wallet" strategy whereby we target middle class customers in Asia for tourism and other hospitality offerings as well as their growing appetite for property investment internationally. We believe that there remain significant long-term opportunities in these market segments and we will continue with our regionalisation approach. We will also allocate more capital to the car parking business as we believe this business will continue to bring solid cashflow streams and in certain cases offer redevelopment upside. We have established four core pillars of growth, namely Residential Property Development, Hotel Development and Operations, Car Parking Business and the newly added Gaming Operations.

We believe that prudently allocating our capital across the different divisions and regions will allow us to generate higher returns on equity compared to our peer groups in Hong Kong and therefore should drive share price out-performance. We are optimistic about our future with new growth drivers being put in place.

West Side Place, Melbourne



Northern Gateway, Manchester

Queen's Wharf, Brisbane

During the year, the Group launched a number of residential projects. As at 31 March 2018, the Group recorded cumulative pre-sales of HK$13.4 billion and total gross development value of the Group's active pipeline was of HK$45 billion, a record high in the Company's history providing good visibility for the Group's property sales in the coming years. Post year end, the Group further acquired three parcels of land in Singapore, namely The Estoril, Cuscaden Road and 21 Anderson Road, and a new site of Northern Gateway in Manchester. The total GDV of the Group's residential pipeline now exceeds HK$50 billion, sufficient for the Group's developments in the next decade.

Revenue from hotel operations and management amounted to approximately HK$1,538 million during FY2018, an increase of 17.5% as compared to FY2017, primarily due to strong recovery of the hotel sector in Hong Kong, solid RevPAR growth in our business regions, and new hotel openings. Likewise, revenue from car park operations and facilities management increased 3.9% as compared to FY2017 to approximately HK$666 million for FY2018. We expanded into Europe with the acquisition of 6 car parks in Hungary and this year also saw the start of our UK car park operations. Our car park division has grown strongly in the past year through both acquisitions and organic growth.

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

Capital Structure and Balance Sheet Management

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

The Group issued US$150 million 4.5 percent 5.5-year notes due 2023 under the medium term note programme, representing a very successful fundraising by the Company in the international capital markets.

As at 31 March 2018, the Group's cash and liquidity position amounted to HK$8.1 billion (HK$5.6 billion as at 31 March 2017). In addition, the Group's undrawn banking facilities was at HK$6.9 billion and the Group had 6 unencumbered hotel assets with capital value of HK$2.3 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$15,593 million which was not recognized on the balance sheet) was at 28.7%, which provides room for further leverage without significantly affecting the Group's credit standing.

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To unlock value tied up in the Group' hotel portfolio, the Group successfully completed the sale of Silka West Kowloon Hotel, recording a gain from the sale of approximately HK$320 million. Through the exercise of continually evaluating options to monetize certain non-core hotel assets, we hope to further improve the liquidity position of the Group whilst demonstrating to our shareholders the underlying value of our hotel portfolio.

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 enhance its investor relations functions and to improve corporate governance and corporate social responsibility, the Group received a number of international awards. These include awards in the areas of company management, investor relations, and corporate governance and corporate social responsibilities, which reflected the confidence of investors and general public in the Group.

Examples of awards include:

- Platinum Award at *"The Asset Corporate Awards 2017"* for outstanding performance in Governance, Social Responsibility, Environmental Responsibility, Financial Performance and Investor Relations for the second consecutive year

- Three top awards at Corporate Governance Asia's *"8th Asian Excellence Award 2018"*, including "Asia's Best CEO in Investor Relations – Tan Sri Dato' David Chiu, "Best Investor Relations Company in Hong Kong" and"Best Investor Relations Professional in Hong Kong – Ms. Venus Zhao"

- Five award nominations and two top awards at *IR Magazine Awards – Greater China 2017*, highlighted by "Best in Sector: Real Estate" for the third consecutive year, and "Best Investor Relations Officer (small to mid-cap) – Ms. Venus Zhao" for the third consecutive year

- "Best Investor Relations Professional Second Place Nominated by Buy-side – Ms. Venus Zhao" in *"Institutional Investor Magazine 2017"* for the third consecutive year

- Five top honours at the *Hong Kong Investor Relations Association 4th IR Awards,* including "Best IR Company (Small Cap)" for the second consecutive year, "Best IR by CFO (Small Cap) – Mr. Angus Chan", "Best IR in Corporate Transactions (Small Cap)", "Best Digital IR" and "Best Investor Meeting"

- "Best Listed Company at Investor Relations Management" in *Golden Hong Kong Stocks Awards 2017*

- Two awards in the *First China Excellent IR Award,* including "Best Innovation Award" and "Best Director Award – Ms. Venus Zhao"

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

Prospects

The Group has been positioning itself for continued growth through a program of active replenishment of land bank, car park acquisitions, continued development of its hotel pipeline and, more recently, a number of strategic investments in the casino gaming sector.

The privatisation of Dorsett Group in 2015 has given the Group a greater degree of flexibility in capital allocation which has enabled the Group to accelerate its growth. We are now a business with four core pillars of highly synergistic operations; namely, residential development, hotel development and operations, car parking and casino gaming. Our long-term goal is to achieve sustainable growth in earnings as well as driving a higher return on equity through our capital structure optimization and capital reallocation initiatives.

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Although the global economic environment is uncertain with interest rates likely to increase in a number of markets, the Group's diverse portfolio of business serves to mitigate concentration risk and our regionalization and capital reallocation strategy allow us to continue to take advantage of the cyclicality in different markets. We will stay vigilant and will continue to take advantage of suitable opportunities that arise.

Our recent land acquisitions in Singapore and the United Kingdom, and the joint venture arrangement with The Star in Australia have strengthened our development pipeline in different locations. We continue to see good business opportunities in these regions which are driven by domestic demand as well as growing interest in international investment by the Asian customer base. With contracted pre-sales reaching HK$13.4 billion as at 31 March 2018, the visibility of contributions from the property development division remains good. We will continue to de-risk development projects through pre-sales of properties before construction. We will also seek to make selective land acquisitions to add to our pipeline. We now have a strong pipeline in a good mix of geographies and we are optimistic that the regionalisation strategy can result in better returns on equity as compared to our peer groups in Hong Kong.

Following a strong recovery in Hong Kong last year, the hotel division is set to continue to benefit from the strength in the Asian tourism market. In addition, we expect new room additions to drive revenue growth in the division in both the shorter and longer term future. New hotels under construction include the Ritz Carlton in Perth with 205 rooms and the Ritz Carlton in Melbourne with 257 rooms. The Walkabout which will be an extension of Dorsett Shepherds Bush will add approximately 74 rooms and the redevelopment of Hornsey Town Hall into a boutique hotel contributing approximately 67 rooms will soon commence construction. Growth in number of rooms will also be spurred immediately by the additional 572 rooms as part of the TWOC transaction. With the strength in the market and the expected room additions, the prospects of this division look promising.

Our car park division has grown strongly in the past year through a number of acquisitions and organic growth. Our initiative in entering into the European market, leveraging on the strength of the Care Park brand and the advanced car park centralised control and management technology developed and owned by Care Park, will help drive further growth in the business. With a combination of organic growth and contribution from the European business in both Hungary and the United Kingdom following our recent investments, we are confident the division can maintain its good track record of generating strong recurring cashflow.

Care Park Operation Center

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American Chance Casino, Ceska Kubice, Czech Republic under TWOC

Route 59, Czech Republic-Austria Border

As for the casino gaming business, we expect that the acquisition of TWOC and our approximately 5% equity stake in The Star, will start to contribute to the Group's results from FY2019 onwards. We intend to use the TWOC platform to grow our casino gaming business leveraging on the connections we have in Asia. In addition to contribution from existing operations, in the long run, we see synergies resulting from cross selling and joint developments which will drive higher profitability. Longer term, when the Queen's Wharf Brisbane development which is currently under construction, commences operation, this segment is expected to contribute significantly to the overall profitability of the Group.

The Group's liquidity position remains strong at HK$8.1 billion with HK$6.9 billion undrawn credit facilities. Whilst we feel there is scope to increase the Group's net gearing ratio which stood at 28.7% at 31 March 2018, in particular due to having a significant asset base which is unencumbered, the Group will be prudent in managing its balance sheet in order that its good credit strength as acknowledged by the debt market and the banking community is not affected.

In summary, the Group will continue to implement the following strategies to generate new growth:

- Deepen regional diversification through strengthening of local execution team
- Focus on cities with strong population or tourism growth potential
- Extract synergies from recent investments in the casino gaming business
- Extend our "Chinese Wallet" Strategy to an "Asian Wallet" Strategy to capitalize on the growing affluence of the middle class segment in Asia
- Adopt a prudent financial management policy and optimize capital structure through active capital reallocation with the aim to drive higher return on equity

In conclusion, I am very delighted to see FEC going from strength to strength. The Group is now on a strong footing and the prospects are exciting. We will aim to reward our shareholders for their relentless support through consistent dividend payouts and growth in net asset value per Share as we have demonstrated in the past.

Cheong Thard HOONG
Managing Director