MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS HIGHLIGHTS


Artra, Singapore

- Revenue and net profit attributable to shareholders of the Company for FY2018 increased by 16.5% and 40.2% respectively to approximately HK$5,831 million and HK$1,567 million respectively as compared to FY2017 primarily due to strong recorded sales in residential developments, a solid recovery of the Group's hotel business, a steadily expanding car park portfolio, as well as a gain on sale of one of the non-core hotels of the Group.

- Adjusted cash profit[i] reached a record high at HK$1,643 million, a year-on-year increase by 42.0% from HK$1,157 million.

- Presale of residential properties remained robust with cumulative presales value of properties under development amounting to approximately HK$13.4 billion as at 31 March 2018 (HK$10.7 billion as at 31 March 2017) following the successful launch of Artra in Singapore, Marin Point in Hong Kong, West Side Place (Tower 4) in Melbourne, Royal Riverside (Tower 3) in Guangzhou, The Star Residences in Gold Coast, MeadowSide (Plots 2 and 3) in Manchester and Astoria Crest in Hong Kong. Including projects secured post year-end, the Group's residential development pipeline grew to HK$52 billion in projected gross development value.

- Bank and cash balances and investment securities of the Group increased to approximately HK$8.1 billion as at 31 March 2018 (HK$5.6 billion as at 31 March 2017).

- Net gearing ratio[ii][iii] was 28.7% as at 31 March 2018 (31.5% as at 31 March 2017).

- Basic earnings per share amounted to HK$0.69 (FY2017: HK$0.51 per share). Final dividend increased to HK$0.18 per share (FY2017: HK$0.15 per share). Including HK$0.040 of interim dividend paid, total full year dividend will amount to HK$0.22 per share (FY2017: HK$0.185 per share), representing a dividend payout ratio of 31.9%, reflecting confidence in the financial position of the Group.

- Net asset value per share[iii] as at 31 March 2018 increased by HK$1.62 and reached approximately HK$12.41 per share (HK$10.79 as at 31 March 2017).

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$15,593 million was based on independent valuation carried out as at 31 March 2018 (HK$13,354 million as at 31 March 2017) 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. Profit and loss analysis

The Company's consolidated revenue for FY2018 was approximately HK$5.8 billion, an increase of 16.5% as compared with FY2017. Gross profit (before depreciation of hotel and car park assets) came in at HK$3.0 billion, showing a strong growth of 29.6% from HK$2.3 billion during FY2017. A breakdown of the Group's revenue and gross profit is shown below:

	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 FY2018					
Revenue	3,430,795	1,537,802	666,380	196,150	5,831,127
Gross profit	1,705,216	645,152	122,129	161,738	2,634,235
Depreciation	–	313,609	28,516	–	342,125
Adjusted gross profit	1,705,216	958,761	150,645	161,738	2,976,360
Adjusted gross profit margin	49.7%	62.3%	22.6%	82.5%	51.0%
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%

Revenue from sales of properties amounted to approximately HK$3,431 million in FY2018, up 16.8% as compared with FY2017 owing to the completion of a number of projects in the Group's pipeline, with gross profit climbing from HK$1,272 million in FY2017 to HK$1,705 million for FY2018, representing a 34.1% increase. During FY2018, four projects were completed, namely Royal Crest II in Shanghai, Dorsett Bukit Bintang in Kuala Lumpur, The FIFTH in Melbourne and Royal Riverside (Towers 1 to 4) in Guangzhou with partial revenue recognised.

Revenue from hotel operations and management amounted to approximately HK$1,538 million in FY2018, an improvement of 17.5% as compared to FY2017, thanks to the solid recovery of the hotel market, in particular in Hong Kong, and the addition of new hotels to the Group's portfolio, namely Silka Tsuen Wan in Hong Kong (opened in February 2017) and Dorsett City in London (opened in July 2017). Gross margin from the Group's hotel operations and management (before depreciation and amortisation) improved from 61.2% in FY2017 to 62.3% in FY2018, due to higher overall OCC as well as ARR.

Revenue from car park operations and facilities management amounted to approximately HK$666 million in FY2018, an increase of 3.9% as compared to FY2017, with adjusted gross profit increasing from HK$137 million for FY2017 to HK$151 million for FY2018, a 9.9% year-on-year growth, as the Group continued to allocate more resources to self-owned car parks which have higher margin compared to third-party car park management contracts. During FY2018, approximately 14,342 car parking bays were added to the Group's car park management portfolio, including 1,392 car parking bays through the acquisition of a portfolio of car parks in Budapest, Hungary in October 2017, the Group's first ever acquisition of car parks in continental Europe.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to shareholders of the Company amounted to HK$1,567 million, as a result of the completion of a number of high margin projects, a strong recovery of the hotel business, a steadily expanding car park portfolio, as well as a gain on sale of one of the non-core hotels of the Group during FY2018.

Adjusted cash profit[i] was at HK$1,643 million for FY2018 which represented a growth of 42.0% from HK$1,157 million for FY2017, demonstrating the Group's strong ability to continuously generate cash flow which provides ammunition for the Group's future growth.

(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.

2. 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 2018.

	As at 31 March 2018 HK$ million	As at 31 March 2017 HK$ million
Bank loans, notes and bonds		
Due within 1 year[i]	5,005	1,431
Due 1–2 years	1,848	4,482
Due 2–5 years	7,699	6,547
Due more than 5 years	1,820	814
Total bank loans, notes and bonds	16,372	13,274
Investment securities	3,520	1,467
Bank and cash balances	4,591	4,161
Liquidity position	8,111	5,628
Net debts[ii]	8,261	7,646
Carrying amount of the total equity	13,144	10,944
Add: hotel revaluation surplus	15,593	13,354
Total adjusted equity	28,737	24,298
Net gearing ratio (net debts to total adjusted equity)	28.7%	31.5%

Note (i) The Group's borrowings amounting to HK$2.6 billion due within 1 year has been either repaid or re-financed with long-term borrowings post year-end.

Note (ii) 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 represent primarily fixed income securities and investments in fixed income funds.

In November 2017, the Company issued US$150 million 4.50 percent 5.5-year notes (the "Issue") due on 13 May 2023 under the US$1,000 million medium term note programme which is listed on the Stock Exchange. 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.

The liquidity position of the Group as at 31 March 2018 was approximately HK$8.1 billion, representing an increase of 44.1% from the balance as at 31 March 2017, primarily due to the collection of sales proceeds upon completion of the Group's residential developments during FY2018, stable cash inflow from the Group's recurring income business, the net proceeds from the Issue, as well as the proceeds from the sale of Silka West Kowloon hotel at a consideration of approximately HK$450 million, and offset by repayment of bank borrowings and certain capital expenditure.

During FY2018, the Group's net debts increased by approximately HK$615 million to HK$8,261 million. 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 3.19% for FY2018 (2.68% for FY2017).

The table below shows the Group's debts profile.

	As at 31 March 2018 HK$ million	As at 31 March 2017 HK$ million
The Company's notes	3,499	2,311
Dorsett bonds*	908	820
Unsecured bank loans	1,437	1,744
Secured bank loans		
– Property development and investment	3,954	3,418
– Hotel operations and management	5,787	4,572
– Car park operations and facilities management	576	398
– Others	211	11
Total bank loans, notes and bonds	16,372	13,274

* fully repaid after 31 March 2018

The carrying amounts of the total bank loans, notes and bonds in the Company's consolidated statement of financial position as at 31 March 2018 include an amount of approximately HK$1,194 million (as at 31 March 2017: HK$1,329 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 2018, the Group's undrawn banking facilities were approximately HK$6.9 billion which were all committed banking facilities, of which approximately HK$3.3 billion was in relation to construction development while the balance of approximately HK$3.6 billion was for the Group's general corporate use. The available 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 not only fund its existing business and operations but also to further expand its business.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, upon completion of the disposal of Silka West Kowloon hotel, a total of 6 hotel assets within the Group remain unencumbered. The capital value of these 6 hotels amounted to HK$2.3 billion based on independent valuation assessed as at 31 March 2018. 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$15,593 million, based on independent valuation assessed as at 31 March 2018 (HK$13,354 million as at 31 March 2017), the Group's total consolidated equity as at 31 March 2018 was approximately HK$28,737 million. The net gearing ratio of the Group was at 28.7%.

3. Foreign exchange management

In general, 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 2018	As at 31 March 2017	Change
HK$/AUD	5.99	5.93	1.0%
HK$/RMB	1.25	1.13	10.6%
HK$/MYR	2.03	1.75	16.0%
HK$/GBP	11.02	9.67	14.0%
HK$/SGD	5.97	5.56	7.4%
Average rates for	FY2018	FY2017	Change
HK$/AUD	5.96	5.93	0.5%
HK$/RMB	1.19	1.17	1.7%
HK$/MYR	1.89	1.86	1.6%
HK$/GBP	10.35	10.40	(0.5%)
HK$/SGD	5.77	5.65	2.1%

The Group adopted a practice whereby investments in its non-Hong Kong operations are hedged by borrowings in the local currencies of the countries where such investments are made. The impact of movement in the above currencies to the Group's profit attributable to shareholders for FY2018 is analysed below:

	HK$ million
Increase (decrease) to the Group's profit attributable to shareholders for FY2018 assuming exchange rates of the following currencies against Hong Kong dollars remained constant during the year:	
AUD	(1.4)
RMB	(10.3)
MYR	(2.8)
GBP	0.1
SGD	1
Total impact	(13.4)

4. Net asset value per share

	As at 31 March 2018 HK$ million	As at 31 March 2017 HK$ million
Equity attributable to shareholders of the Company	12,971	10,792
Add: Hotel revaluation surplus	15,593	13,354
Total net asset value	28,564	24,146
Number of shares issued (million)	2,302	2,238
Net asset value per share	HK$12.41	HK$10.79

Total net asset value of the Group reached approximately HK$28,564 million after adjusting for revaluation surplus on hotel assets of approximately HK$15,593 million, based on independent valuation assessed as at 31 March 2018 (HK$13,354 million as at 31 March 2017). Net asset value per share as at 31 March 2018 increased by HK$1.62 during the financial year and reached approximately HK$12.41.

5. Capital expenditure

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

During FY2018, the Group's capital expenditure amounted to approximately HK$936 million primarily attributable to the construction works of Ritz Carlton in Perth and Dorsett City in London (opened in July 2017). The capital expenditure was funded through a combination of borrowings and internal resources.

6. Capital commitments

	As at 31 March 2018 HK$ million	As at 31 March 2017 HK$ million
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition, development and refurbishment of hotel properties	1,596	1,175
Others	31	6
	1,627	1,181

MANAGEMENT DISCUSSION AND ANALYSIS

7. Post balance sheet events

Award of tender for The Estoril, Singapore

In April 2018, FEC Properties Pte. Limited ("FEC Properties"), an indirect wholly-owned Subsidiary, submitted a form of tender for a property currently known as The Estoril ("The Estoril"), which is located along Holland Road of Singapore, adjacent to the site currently known as Hollandia for which the Group was awarded the tender in March 2018. Subsequently, FEC Properties received a tender acceptance letter issued by the solicitors of the owners of The Estoril accepting the submitted tender at the tendered sale price of SGD223.9 million. The two acquisitions enable the Group to replenish its landbank and add to the Group's overall development pipeline in Singapore following the successful launch of Artra during FY2018.

The Estoril is situated in the prime District 10 in Singapore. It enjoys an unparalleled location close to Orchard Road and Singapore Botanic Garden and is bound by Holland Village, Farrer Road and the Dempsey Cluster which are popular among both locals and expatriates. It is currently comprised of two blocks of 6-storey residential apartments with total freehold site area of 85,000 sq. ft.. The Group intends to redevelop The Estoril together with Hollandia as a combined development with a total saleable floor area of 241,000 sq. ft, allowing the Group greater flexibility in the overall planning and design and therefore creating a better residential product for the market.

Completion of the subscription of shares in The Star Entertainment Group Limited

In March 2018, the Company, CTF and The Star entered into:

- a subscription agreement (the "Subscription Agreement"), pursuant to which the Group and CTF will each subscribe for 45,825,000 fully paid ordinary shares in The Star, which, immediately after the subscription will each represent 4.99% of the total fully paid ordinary shares in The Star, at a subscription price of approximately AUD245.2 million each.

- A strategic alliance agreement (the "Strategic Alliance Agreement"), under which the parties agree to form a strategic alliance to facilitate mutual business growth and enable each party to benefit from each other's capabilities and scale and to leverage each party's experience and expertise to assist in the future growth and development of each of the parties' business.

The Subscription Agreement was completed in April 2018. For more details of the Subscription Agreement and the Strategic Alliance Agreement, please refer to the Company's announcements dated 28 March 2018 and 16 April 2018.

Completion of the acquisition of TWOC

In March 2018, the Group signed an agreement with TWOC whereby the Group agreed to acquire 100% of the equity interest in TWOC (the "TWOC Acquisition") in the form of a merger between FEC Investment (US) Limited, an indirectly wholly-owned subsidiary of the Group, and TWOC, at a consideration of USD42 million. The TWOC Acquisition was completed in April 2018.

For more details of the TWOC Acquisition and of TWOC, please refer to the Company's announcements dated 5 March 2018 and 1 May 2018, and in the section headed "Business Review – Gaming Operations and Management" below.

Auction for the Dantzic Street Site, Manchester

In April 2018, the Group was named winner at an online auction to acquire a 1.96-acre Dantzic Street site (the "Dantzic Street Site") in central Manchester, the United Kingdom, for GBP5.2 million.

For more details of the Dantzic Street Site, please refer to the section headed "Business Review – Property Division" below.

Award of tender for Cuscaden Road, Singapore

In May 2018, a consortium in which the Group has a 10% interest was awarded the tender for a residential development site on Cuscaden Road, Singapore with an attributable saleable floor area of 19,000 sq. ft, further adding to the Group's pipeline in Singapore.

Acquisition of 21 Anderson Road, Singapore

In June 2018, the Group entered into an agreement to acquire 100% interest, in the form of equity and shareholder's loan, in Highest Reach Investments Limited, which owns, through its wholly-owned subsidiaries, the development on 21 Anderson Road of Singapore, at a consideration of approximately SGD93 million, with the assumption of bank loans of approximately SGD103 million.

BUSINESS REVIEW

1. Property division

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

Property investment comprises investments in retail and office buildings located mainly in Hong Kong, Mainland China and Australia. For FY2018, a fair value gain of investment properties of approximately HK$277 million was recognized, as a result of an increase in fair value of the investment properties in Shanghai, Hong Kong and Melbourne (following completion of the commercial units of The FIFTH). As at 31 March 2018, valuation of investment properties reached approximately HK$3.2 billion (31 March 2017: HK$3.0 billion), up 7.6% as compared to the balance as at 31 March 2017.

The Group has a diversified portfolio in residential property development in Australia, Mainland China, Hong Kong, Singapore, Malaysia and the United Kingdom. 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 regionalisation approach, allow 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 from which the Group can benefit due to the growing affluence of the middle class.

Total attributable cumulative presales value of the Group's residential properties under development amounted to approximately HK$13.4 billion as at 31 March 2018. Such presales proceeds are not reflected in the Group's consolidated income statement until the point in time when the relevant projects are completed and the revenue of the relevant projects is then recognized.

The Star Residences, Gold Coast

MANAGEMENT DISCUSSION AND ANALYSIS

The following table shows a breakdown of the Group's total cumulative presales value of residential properties under development as at 31 March 2018.

Developments	Location	Attributable presales HK$ million	Expected financial year of completion
Aspen Crest	Hong Kong	1,060	FY2019
Marin Point	Hong Kong	212	FY2019
Astoria Crest	Hong Kong	370	FY2019
Artra	Singapore	1,753	FY2021
West Side Place (Towers 1 and 2)	Melbourne	5,072	FY2021
West Side Place (Tower 4)	Melbourne	1,751	FY2022/23
The Towers at Elizabeth Quay	Perth	2,030	FY2019/20
The Star Residences	Gold Coast	333	FY2022
MeadowSide (Plots 2 and 3)	Manchester	277	FY2021
Royal Riverside (Towers 1, 2, 3 and 4)	Guangzhou	516	FY2019
Total attributable cumulative presales		13,374	

During FY2018, the Group launched presales of seven of its residential development projects, namely (i) Artra in Singapore; (ii) Marin Point in Hong Kong; (iii) West Side Place (Tower 4) in Melbourne; (iv) Royal Riverside (Tower 3) in Guangzhou; (v) The Star Residences in Gold Coast; (vi) MeadowSide (Plots 2 and 3) in Manchester; and (vii) Astoria Crest in Hong Kong. Total expected attributable GDV and attributable saleable floor area of these seven development projects are approximately HK$9.1 billion and 1.4 million sq. ft. respectively.

As at 31 March 2018, expected attributable saleable floor area of the Group's active residential property development projects under various stages of development across the regions was approximately 7.5 million sq. ft..

Post year-end, the Group further replenished its development pipeline in Singapore by entering into the following transactions:

- In April 2018, the Group won the bid for a residential development site, currently known as The Estoril in Singapore, which can be co-developed with the adjacent site currently known as Hollandia for which the Group also won the bid in March 2018, in a combined development with a total expected attributable saleable floor area of 192,000 sq. ft..

- In May 2018, a consortium in which the Group has a 10% interest was awarded the tender for a residential development site on Cuscaden Road, Singapore with an attributable saleable floor area of 19,000 sq. ft..

- In June 2018, the Group entered into a sale and purchase agreement to acquire the development currently known as "21 Anderson Royal Oak Residence" on Anderson Road, Singapore, which comprises 34 residential units with saleable floor area of approximately 86,000 sq. ft..

Details of the Group's current pipeline 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
Pipeline development				
Melbourne				
West Side Place				
– Towers 1 & 2	1,050,000	5,658	Launched	FY2021
– Tower 3	584,000	2,919	FY2019	FY2022/23
– Tower 4	572,000	2,928	Launched	FY2022/23
Perth				
The Towers at Elizabeth Quay	391,000	2,876	Launched	FY2019/20
Perth City Link (Lots 2 and 3A)	224,000	847	FY2019	FY2023
Brisbane				
Queen's Wharf Brisbane[iii]				
– Tower 4	259,000	1,115	FY2019	FY2023
– Tower 5	224,000	1,131	Planning	Planning
– Tower 6	224,000	1,131	Planning	Planning
Gold Coast				
The Star Residences[iv]	98,000	539	Launched	FY2022
Guangzhou				
Royal Riverside				
– Towers 1, 2, 3 & 4[v]	254,000	870	Launched	FY2019
– Tower 5	207,000	817	FY2019	FY2019
Hong Kong				
Aspen Crest	64,000	1,060	Launched	FY2019
Tan Kwai Tsuen	48,000	532	FY2019	FY2019
Marin Point	103,000	1,078	Launched	FY2019
Astoria Crest	20,000	420	Launched	FY2019
The Garrison	27,000	573	FY2019	FY2019
Shatin Heights	81,000	1,292	FY2020	FY2021

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Developments	Attributable saleable floor area[i] Sq. ft.	Expected attributable GDV[ii] HK$ million	Status/ expected launch	Expected financial year of completion
London				
Alpha Square	377,000	4,546	FY2019	FY2024
Hornsey Townhall	107,000	1,025	FY2019	FY2021
Manchester				
MeadowSide				
– Plots 2 and 3	220,000	1,019	Launched	FY2021
– Plot 4	238,000	1,223	Planning	Planning
– Plot 5	99,000	449	FY2020	FY2021
Northern Gateway[vi]	1,768,000	7,393	Planning	Planning
Singapore				
Artra[vii]	286,000	2,812	Launched	FY2021
Total development pipeline as at 31 March 2018	**7,525,000**	**44,253**		
Completed development available for sale				
Shanghai				
King's Manor	51,000	340		
The Royal Crest II	80,000	454		
Kuala Lumpur				
Dorsett Bukit Bintang	50,000	215		
Melbourne				
The FIFTH	23,000	99		
Hong Kong	3,000	66		
Total completed development available for sale as at 31 March 2018	**207,000**	**1,174**		
Total pipeline and completed development available for sale as at 31 March 2018	**7,732,000**	**45,427**		

Developments	Attributable saleable floor area[i] Sq. ft.	Expected attributable GDV[ii] HK$ million	Status/ expected launch	Expected financial year of completion
Additional pipeline post 31 March 2018				
Singapore				
Holland Road[viii]	192,000	3,275	Planning	Planning
Cuscaden Road[ix]	19,000	408	Planning	Planning
21 Anderson Road	86,000	1,277	Planning	Planning
Manchester				
Northern Gateway	396,000	1,637	Planning	Planning
Total additional pipeline post 31 March 2018	693,000	6,597		
Total pipeline (including additional pipeline post 31 March 2018) and completed development available for sale	**8,425,000**	**52,024**		

Notes:

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

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

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

(iv) The Group has 33.3% interest in the development.

(v) Excluding units which were completed and delivered before 31 March 2018.

(vi) The saleable floor area and GDV figure is estimated based on land already acquired and expected number of units to be built. As the master developer of Northern Gateway, the Group is expecting further land acquisitions which will increase both saleable floor area and GDV for this development.

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

(viii) This development is a combination of Hollandia site and The Estoril site, which the Group was awarded the tender through collective sale in March 2018 and April 2018 respectively, with a combined saleable floor area of 241,000 sq. ft.. The Group has 80% interest in the development.

(ix) Total saleable floor area of this development is approximately 190,000 sq. ft. The Group has 10% interest in the development.

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In addition to the above, the Group has entered into the Strategic Alliance Agreement with the partners of Destination Brisbane Consortium, The Star and CTF, whereby the parties are to co-develop the existing sites operated as casinos by The Star in Gold Coast and Sydney, and which gives the Group a first right of refusal for certain nominated developments identified by The Star in Australia, further contributing to the Group's residential pipeline in Australia.

The Group was also selected as the preferred bidder for Lots 3B, 6 and 7 of the Perth City Link project.

Australia

Melbourne

West Side Place is a mixed-use residential development located in the Central Business District ("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 3,000 apartments and a total GDV exceeding HK$11 billion. The development will comprise two hotels, including one under the Group's Dorsett brand with approximately 300 hotel rooms located in Tower 3, and another hotel to be operated by Ritz Carlton with approximately 250 hotel rooms located at the top of Tower 1. Following the strong response on the presales of Towers 1 and 2 in June 2016, the Group launched the pre-sale of Tower 4 in June 2017, with units worth HK$6.8 billion having been pre-sold as at 31 March 2018, representing approximately 80% of a total expected GDV of these 3 towers of HK$8.6 billion. The Group followed up with the launch of Tower 3 in May 2018. With the first two towers of the development expected to be completed in the financial year ending 31 March 2021 and Towers 4 and 3 expected to be completed in the financial year ending 31 March 2022/2023, this development is expected to strengthen the Group's cashflow and 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$1.3 billion has been completely presold. Completion of the development was by stages with majority of the units delivered during FY2018 and with the remaining units completely resold post year-end.

West Side Place, Melbourne

The FIFTH, Melbourne

Perth

The Towers at Elizabeth Quay is a mixed-use development comprising residential apartments of approximately 391,000 sq. ft. in saleable floor area, a luxury Ritz-Carlton hotel with more than 200 rooms, approximately 15,000 sq. ft. of commercial or retail area as well as other ancillary facilities. As at 31 March 2018, its presales value reached approximately HK$2.0 billion, representing 71% of the expected GDV. This development is expected to be completed in the financial year ending 31 March 2019/2020.

The Towers at Elizabeth Quay, Perth

Perth City Link, Perth

The Perth City Link is a major project being undertaken by the Western Australian Government to reconnect the Perth CBD and the entertainment district. Lots 2 and 3A of the Perth City Link project 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. In May 2017, the Group was also 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. Lots 2 and 3A of Perth City Link is expected to launch for pre-sale in the financial year ending 31 March 2019 with completion expected in the year ending 31 March 2023.

Queen's Wharf, Brisbane

Queen's Wharf, Brisbane

Brisbane

The Destination Brisbane Consortium, a joint venture between the Group, The Star and CTF, entered into Development Agreements with the Queensland State, Australia for the delivery of the Queen's Wharf Project in Brisbane (the "QWB Project"). The QWB Project comprises:

(1) an integrated resort component in which the Group's ownership is 25% (CTF owns 25% and The Star owns 50%) with an equity investment amount of more than AUD200 million. Payments will be made progressively commencing from signing of the QWB Project documents up to completion of the QWB Project which is expected by the end of the financial year ending 31 March 2023.

(2) The residential component owned in the proportion of 50% by the Group and 50% by CTF.

Together with the Group's portion of land premium for this residential component, the total capital commitment of the Group is expected to be approximately AUD300 million which the Group intends to fund from its internal resources. The QWB Project encompasses a total area of approximately 9.4 hectares at

MANAGEMENT DISCUSSION AND ANALYSIS

Queen's Wharf, Brisbane, 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 GFA of the QWB Project is expected to be 386,650 sq. m. of which approximately 160,250 sq. m. relates to the residential component.

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

Gold Coast

The Star Residences is a mixed-use development featuring 5 towers in the heart of Gold Coast's world-class integrated resort on Broadbeach Island. Pre-sale for the first tower with a saleable area of 294,000 sq. ft. and a GDV of HK$1.6 billion was launched in September 2017, with pre-sale contracted for 62% of the GDV of the first tower as at 31 March 2018. The project is an extension of the partnership between the Group, The Star and CTF in Gold Coast, in which the Group has a 33.3% interest. The completion of the first tower of the development is expected to take place in the financial year ending 31 March 2022.

The Star Residences, Gold Coast

The Star, Gold Coast

The Star, Sydney

The Star, Sydney

In addition, the Strategic Alliance Agreement with The Star and CTF entered into in March 2018 also stipulated that the parties to the agreement will join forces on the delivery of certain nominated developments including the potential re-development of the Spit Precinct in Gold Coast, the realization of which will undoubtedly add to the Group's development pipeline in the city, and will benefit the Group through its investment in The Star.

Sydney

Having entered into the Strategic Alliance Agreement with The Star and CTF in March 2018, the Group has agreed to co-develop the existing sites where The Star operates its casino in Sydney. The entire project is currently under planning stage.

The parties to the Strategic Alliance Agreement also agreed that there are certain nominated developments in Australia which the parties will work together to bring forward the planning and delivery, including the potential re-development of the Pyrmont Precinct which is located at a prime location in Sydney.

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.

King's Manor consists of 479 apartments and 90 town houses, out of which all the apartments and 67 town houses have been delivered up to 31 March 2018, with the remaining townhouses to be sold on a completed basis.

The Royal Crest II consists of 180 apartments and 42 town houses, with an expected GDV of HK$1.4 billion. All the apartments were pre-sold by the end of FY2017 and delivered during FY2018. Presale for town houses commenced in September 2016 with 10 town houses delivered during FY2018, and with the remaining 32 town houses to be sold on completed basis.

In Guangzhou, Royal Riverside is a 5-tower residential development comprising 607 apartments with a total saleable floor area of approximately 684,000 sq. ft. and a total expected GDV of HK$2.4 billion. Completion of Towers 1, 2, 3 and 4 took place by stages with HK$660 million worth of units having been delivered during FY2018 and with the rest to be delivered in the financial year ending 31 March 2019. Pre-sale for Tower 5 was launched in April 2018 with the entire development expected to be fully completed in the financial year ending 31 March 2019.

Hong Kong

The Group has built its development pipeline in Hong Kong over the years through acquisition of redevelopment sites, participating in government tender and bidding for projects with URA.

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

Aspen Crest is a redevelopment project consisting of 234 apartments with approximately 64,000 sq. ft. in saleable floor area and approximately 9,100 sq. ft. of commercial component. All the units have been pre-sold as at 31 March 2018 with completion expected to take place in the financial year ending 31 March 2019.

Aspen Crest, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Marin Point is a residential development site at Sha Tau Kok which the Group acquired through a government tender. This development comprises 261 low-rise apartments with approximately 103,000 sq. ft. in saleable floor area. The development was launched for pre-sale during FY2018 with 20% of the units pre-sold as at 31 March 2018. Completion of the development is expected in the financial year ending 31 March 2019.

Astoria Crest is a residential development site at Hai Tan Street, Sham Shui Po which was acquired by the Group through URA. This residential development comprises 72 apartments (mainly 1-bedroom apartment) with approximately 20,000 sq. ft. in saleable floor area. Pre-sale for the development was launched in December 2017 with 88% of the units pre-sold as at 31 March 2018. Completion of the development is expected in the financial year ending 31 March 2019.

The Garrison is a residential development site at Mei Tin Road, Tai Wai, which the Group acquired through a government tender. This development comprises a residential component of approximately 27,000 sq. ft. in saleable floor area and a commercial component of approximately 5,100 sq. ft. in GFA. Pre-sale for the development is expected to be launched in the financial year ending 31 March 2019, with completion of the development expected to be in the same financial year.

A residential development site at Tan Kwai Tsuen consisting of 24 town houses with approximately 48,000 sq. ft. in saleable floor area is expected to be launched for sale on a completed basis, with completion expected to be in the financial year ending 31 March 2019.

The Group also acquired through government tender a residential development site at Tai Po Road, Shatin Heights. This development will comprise more than 60 apartments and 4 houses. The project has a saleable floor area of approximately 81,000 sq. ft. and is currently under planning stage.

Malaysia

Dorsett Bukit Bintang is a residential development adjacent to Dorsett Kuala Lumpur. This development consists of 252 high-rise apartments with approximately 215,000 sq. ft. in saleable floor area. Completion of the development took place during FY2018 with 114 apartments delivered, with the remaining units partly converted into serviced apartments managed by the team of Dorsett Kuala Lumpur which cater to long-stay travelers in the city, and with the rest to be sold on a completed basis.

Dorsett Bukit Bintang, Kuala Lumpur

United Kingdom

London

Alpha Square is a residential development site at Marsh Wall, Canary Wharf, London, which has been granted planning approval for a mixed-use complex including private residences of approximately 377,000 sq. ft. in saleable floor area, a hotel of approximately 230 rooms and commercial facilities. Pre-sale for the residential component of this development is expected to be launched in the financial year ending 31 March 2019, with completion of the development expected to be in the financial year ending 31 March 2024.

Hornsey Townhall, located in North London, is a mixed-use redevelopment project which involves the conversion of an existing townhall into a hotel/serviced apartment tower and a town hall with communal areas, as well as a residential component which will provide 135 apartments with a saleable floor area of approximately 107,000 sq. ft.. Pre-sale for the residential component of this development was launched in May 2018 with completion expected in the year ending 31 March 2021.

Alpha Square, London

Hornsey Townhall, London

MANAGEMENT DISCUSSION AND ANALYSIS

Manchester

Northern Gateway is a mega-sized development project in Manchester the Group will deliver, having signed an agreement with the Manchester City Council in April 2017, 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 15,000 new homes over the next decade, allowing the city centre to expand and providing 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.

MeadowSide, Manchester

Northern Gateway, Manchester

The Group is currently developing a masterplan of the Northern Gateway development within which the Group will identify infrastructure and building programmes, as well as a land acquisition strategy enabling the Group to acquire land plots within the area progressively as the implementation of the overall masterplan is rolled out. Since the entering into of the development agreement with the Manchester City Council, the Group has acquired various land plots within the Northern Gateway area which will be developed into individual projects as the overall masterplan pans out.

The Northern Gateway project is expected to provide the Group with a significant and long-term pipeline within the UK and signals the fact that the Group is accelerating its expansion into the UK market.

MeadowSide is a residential development site in Manchester at NOMA which is one of the major residential growth areas of the city. The development will feature 4 towers comprising more than 750 apartments with approximately 557,000 sq. ft. of saleable floor area around the historic Angel Meadow park near Victoria Station which is one of the transportation hubs of the city. Presale was launched for the first 2 plots of the development featuring more than 280 apartments in October 2017 and with 27% of the overall GDV pre-sold as at 31 March 2018. Pre-sale of plot 5 of the development is expected to be launched in the year ending 31 March 2020 followed by that of plot 4. Completion of plots 2, 3 and 5 of the development is expected to be in the year ending 31 March 2021 while that of plot 4 is in planning stage.

The Dantzic Street Site is a development site of which the Group was named winner at an online auction in April 2018, which borders the Group's MeadowSide development around Angel Meadow in the NOMA neighborhood on the northern edge of Manchester city centre.

Both MeadowSide and the Dantzic Street Site sit on the doorstep of the Group's Northern Gateway development.

Singapore

Artra is a residential project located next to the Redhill MRT station in Singapore with approximately 410,000 sq. ft. in saleable floor area and is owned by a joint venture in which the Group has a 70% interest. Pre-sale of the development was launched in April 2017 with 62% of the overall units pre-sold as at 31 March 2018. Completion of the development is expected to take place during the year ending 31 March 2021.

Hollandia is a residential development site at Holland Road within the highly sought after District 10 of Singapore for which the Group was awarded the tender through collective sale in March 2018. Completion of acquiring this project is subject to certain regulatory approvals.

Artra, Singapore

The Estoril is a residential development site at Holland Road within District 10 of Singapore for which the Group was awarded the tender through collective sale in April 2018. Completion of acquiring this project is subject to certain regulatory approvals. This site is expected to be redeveloped together with the abovementioned Hollandia site into a residential development with a combined attributable saleable floor area of approximately 192,000 sq. ft., in which the Group has a 80% interest. The development is currently in planning stage.

MANAGEMENT DISCUSSION AND ANALYSIS

Cuscaden Road is a residential development site at the prime District 9 of Singapore, for which a consortium of which the Group is part was awarded the tender through URA sale in May 2018. The development is expected to comprise 19,000 sq. ft. in attributable saleable floor area and is owned by a joint venture in which the Group has a 10% interest. The development is currently in planning stage.

21 Anderson Road is a freehold condominium development situated in District 10 of Singapore. It is currently known as "21 Anderson Royal Oak Residence" and comprises 34 residential units with saleable floor area of 86,000 sq. ft., which the Group has the flexibility to resell or to lease for recurring income purposes. The Group signed a sale and purchase agreement in June 2018 to acquire this development, with completion of the transaction expected in July 2018.

Dorsett City, London


Dorsett Shepherds Bush II, London

2. Hotel operations and management

The following summarises the operating performance of the Group's owned hotels for FY2018 and FY2017 by region in LC.

	Occupancy rate		Average room rate		RevPAR		Revenue	
			(LC)	(LC)	(LC)	(LC)	(LC' 000)	(LC' 000)
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Hong Kong (HK$)	93.8%	90.1%	739	695	693	626	776,474	665,300
Malaysia (MYR)	73.9%	66.8%	193	190	142	127	125,552	112,236
Mainland China (RMB)	68.4%	61.2%	408	411	279	251	214,742	188,011
Singapore (SGD)	86.1%	80.2%	174	181	149	145	16,658	16,480
United Kingdom (GBP)	82.9%	88.0%	106	99	88	87	16,637	11,700
			(HK$)	(HK$)	(HK$)	(HK$)	(HK$'000)	(HK$'000)
Group Total	82.8%	77.6%	658	625	545	485	1,537,802	1,308,954

The Group's hotel operations for FY2018 recorded a total revenue of approximately HK$1.5 billion, representing a solid growth of 17.5% from that in FY2017. Overall OCC increased approximately 5.2 percentage points to 82.8%. The overall ARR increased 5.3% to HK$658 per night. As a result, RevPAR increased 12.4% to HK$545 for FY2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong remained the main contributor to the Group's hotel operations which accounted for approximately 50.5% of the hotel revenue. The OCC increased approximately 3.7 percentage points to 93.8% and ARR rose by 6.3% to HK$739 per night, contributing to a solid growth of 10.7% in RevPAR to HK$693 per night as compared to prior year. Overall performance of Hong Kong for the FY2018 is shown below.

	FY2018		FY2017	
Hong Kong	2H	1H	2H	1H
Occupancy rate	96.5%	91.2%	92.8%	87.2%
Average room rate (HK$)	820	655	751	632
RevPAR (HK$)	791	597	697	551

Both OCC and ARR for Hong Kong in the second half of FY2018 recorded a robust growth and reached 96.5% and HK$820 per night respectively, leading to a rise in RevPAR of 13.5% to HK$791 per night, as compared to the same period in FY2017. In FY2018, the Group benefited not only from the strong growth in the return of overnight visitors from China, but also the Group's continuous effort to attract a wider base of more diverse international visitors, especially from South East Asia and Korea. The growth momentum of the hotel performance in Hong Kong is expected to extend in the coming years given the expected rise in tourism number and as the newly-opened Silka Tsuen Wan is rapidly ramping up its operation since its opening in January 2017.

Dorsett Grand Chengdu family room

MANAGEMENT DISCUSSION AND ANALYSIS

In Malaysia, revenue from hotel operations for FY2018 increased by 11.9% to approximately MYR126 million as compared to FY2017. ARR was maintained at a similar level to that of FY2017. OCC increased by 7.1 percentage points to 73.9% as compared to the prior year. As a result, RevPAR had recorded a strong growth of 11.8% from FY2017 to MYR142 per night, contributed mainly by the newly-renovated Dorsett Kuala Lumpur and Dorsett Grand Subang which had their RevPAR increased by 29.2% and 12.1% respectively. As can be seen from the operating data below, the operating performance of the hotels in Malaysia demonstrated improvement during FY2018.

	FY2018		FY2017	
Malaysia	2H	1H	2H	1H
Occupancy rate	75.4%	72.4%	65.4%	68.3%
Average room rate (MYR)	192	194	194	187
RevPAR (MYR)	145	140	126	128

In Singapore, Dorsett Singapore recorded revenue of approximately SGD16.7 million for FY2018, similar to the level of FY2017. For FY2018, OCC was 86.1% and ARR was SGD174 per night. RevPAR recorded an increase of 2.8% to SGD149 per night. Further details of both years' operating data of the performance in Singapore are provided in the following.

	FY2018		FY2017	
Singapore	2H	1H	2H	1H
Occupancy rate	86.3%	85.9%	80.8%	79.5%
Average room rate (SGD)	174	173	176	187
RevPAR (SGD)	150	149	142	149

In Mainland China, OCC in FY2018 increased by 7.2 percentage points compared with FY2017 while ARR was maintained at a similar level at RMB408 per night. As a result, RevPAR increased by 11.2% to RMB279 per night as compared to FY2017. Revenue increased by 14.2% to approximately RMB215 million for FY2018 mainly due to the strong growth in performance of Dorsett Grand Chengdu and Dorsett Shanghai. OCC of Dorsett Grand Chengdu rose by 6.9 percentage points to 66.2% while RevPAR increased by 15.2% to RMB233 per night in FY2018. Dorsett Shanghai continued to benefit from corporate and exhibition customers which resulted in its RevPAR growth of 6.6% to RMB620 per night for FY2018 as compared to FY2017. It is expected that the operating performance of hotels in Mainland China will continue to grow in the coming year. Operating data for Mainland China are illustrated below.

Dorsett Singapore

	FY2018		FY2017	
Mainland China	2H	1H	2H	1H
Occupancy rate	67.6%	69.2%	62.7%	59.7%
Average room rate (RMB)	401	415	408	414
RevPAR (RMB)	271	287	256	247

In the United Kingdom, the total revenue was approximately GBP16.6 million for FY2018, an increase of approximately 42.2% as compared to FY2017, due to the addition of hotel rooms from the newly-opened Dorsett City London which had its soft opening in July 2017. The 13-storey Dorsett City London released its full inventory of 267 rooms to the Group's current operating portfolio in February 2018. With its location right next to the Aldgate Underground Station, Dorsett City London is in a perfect spot for both business and leisure travelers. Overall OCC in the United Kingdom decreased by 5.1 percentage points to 82.9% due to opening of Dorsett City London which did not have its full inventory available until late in FY2018 but RevPAR increased by 1.1% to GBP88 per night as compared to prior year. The operating performance of hotels in the United Kingdom will continue to grow as Dorsett City London is expected to ramp up the sales and operation in the coming years.

	FY2018		FY2017	
United Kingdom	2H	1H	2H	1H
Occupancy rate	79.6%	87.6%	86.4%	89.4%
Average room rate (GBP)	107	105	97	102
RevPAR (GBP)	85	92	84	91

In May 2017, the Group disposed of Silka West Kowloon hotel at approximately HK$450 million and made a gain on disposal of HK$320 million with the Group continuing to manage the hotel for a term of 6 years.

As at 31 March 2018, the Group owns 23 hotels (9 in Hong Kong, 6 in Malaysia, 4 in Mainland China, 1 in Singapore, 2 in London and 1 in Gold Coast) with approximately 7,000 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. In April 2018, the Group completed the acquisition of TWOC which owns and operates two four-star hotels and one three-star hotel in Germany, one four-star hotel in Austria and one four-star hotel in the Czech Republic (directly connected to one of the casinos in TWOC's portfolio) with a combined 572 rooms. With the disposal of Silka West Kowloon hotel in May 2017, completion of the TWOC Acquisition and when all the hotels in the pipeline become operational, the Group will own 42 hotels operating approximately 10,800 rooms. The Group also manages 4 other hotels (2 in Hong Kong and 2 in Malaysia) with approximately 880 rooms.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Car park operations and facilities management

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

Central monitoring system, Care Assist

Care Park, Budapest

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 division has been achieving steady growth over the years, with the Group's portfolio under management growing into 441 car parks with approximately 88,868 car parking bays as at 31 March 2018, having added approximately 14,342 car parking bays during FY2018. Of the Group's 441 car parks, 36 were self-owned car parks (24 in Australia, 3 in New Zealand, 1 in the United Kingdom, 6 in Hungary and 2 in Malaysia) comprising approximately 10,684 car parking bays, with the remaining 78,184 car parking bays in Australia, New Zealand, the United Kingdom, Hungary 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.

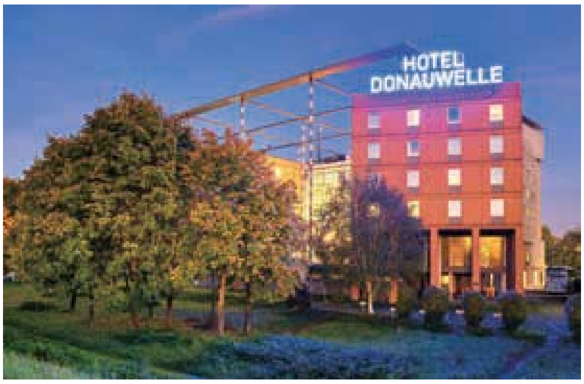
During FY2018, the Group's car park business continued to deliver consistent profit contribution to the Group through organic growth and acquisitions, having leveraged on its central monitoring system, Care Assist, which enabled the management team of this business to have better control on the day-to-day operations of the business, providing a strong foundation for growth. With a management team rich in experience in car parking operations and the scalability offered by Care Assist, the Group is allocating more resources to the car parking division which is currently actively evaluating a number of acquisition opportunities in regions where the Group has an existing presence, with an aim of adding further self-owned car parks to its portfolio.

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 81 contracts in relation to facilities management services as at 31 March 2018, it is expected that the car park operations and facilities management business will continue to be a steadily growing source of recurring cash flow stream.

4. Gaming operations and management

Europe

Following on from the involvement in the QWB Project which will feature a world-class casino in Brisbane, the Group's venture into the gaming business gathered momentum with the completion of the TWOC Acquisition in April 2018. TWOC owns and operates a portfolio of 3 casinos in Czech Republic and 5 hotels (1 in Czech Republic, 3 in Germany and 1 in Austria).



Hotel Donauwelle, Austria

Hotel Freizeit Auefeld, Germany

All the casinos of TWOC operate under the registered brand "American Chance Casinos" featuring gaming tables and slot machines and are situated on the Czech borders with Germany and Austria catering to cross-border guests from these countries. With the Group's implementation of the "Asian Wallet" strategy, the Group will endeavor to introduce Asian tourists to TWOC's properties which will not only enrich the Group's hospitality offerings geographically but will also broaden TWOC's customer base.

TWOC is the first gaming operation owned by the Group. With its high standard of regulatory compliance and corporate governance practice, having been listed on the over-the-counter market in the United States until being privatized and delisted upon the completion of the TWOC Acquisition, and having adhered to regulatory requirements in the European Union, TWOC will not only bring to the Group recurring earnings and cash flow contribution from its hospitality business, but will also serve as a platform for the Group to pursue expansion in the gaming space in the regions in which the Group already has a business presence.

The Star, Gold Coast

The Star, Sydney

MANAGEMENT DISCUSSION AND ANALYSIS

Australia

In March 2018, the Group entered into the Strategic Alliance Agreement with The Star and CTF and subsequently completed in April 2018 the acquisition of 4.99% of shares in The Star, which is one of the major casino operators in Australia with a dominant position in Sydney, Gold Coast and Brisbane.

The Strategic Alliance Agreement is expected to strengthen the already established relationship with The Star and CTF, with the three parties having teamed up on the QWB Project in Brisbane and subsequently on the Gold Coast and Sydney developments. The developments undertaken by the consortium among the Group, The Star and CTF will undoubtedly bring long-term benefits to The Star's casinos, and the equity investment in The Star will enable the Group to also share the future growth of The Star. The Group will also enjoy increased exposure to the gaming market in Australia and a steady contribution to the Group's profit and cash flow going forward, following The Star's plan to increase its dividend payout ratio to 70% of its normalized net profit. The marketing alliance which forms part of the Strategic Alliance Agreement will also facilitate cross-referral of gaming customers, thus benefitting both the Group and The Star.

OUTLOOK

The Group continues to be well positioned to deliver sustainable and long-term growth with its regionalization strategy which has resulted in a strong performance during FY2018. Presales value of the Group as at 31 March 2018 was at a record high of HK13.4 billion and a current development pipeline of HK$52 billion provides clear visibility of the Group's future profitability. The Group will continue to add to the development pipelines by allocating resources to regions where the Group sees long-term fundamental growth prospects and where the region's property cycle offers higher risk-adjusted returns to the Group.

Since Dorsett has become wholly-owned by the Group in 2015, the Group has been reaping benefits from the increased flexibility in capital allocation which has helped partly fuel the Group's accelerated growth in recent years. The Group will continue to benefit from a more flexible capital allocation as it continues to grow.

The Group's hotel business is expected to continue its recovery track, especially those in Hong Kong, whereas new hotels in the pipelines will further add to the future recurring cash flow base. The Group's direction of allocating more capital to the car park operations and facilities management business ensures that this part of the Group's business will not only grow organically as it has been for years, but also through acquisitions of car park assets that yield good returns and offer longer-term potential land-banking opportunities.

The recent expansion of the Group's footprint into the gaming business through the TWOC Acquisition and the investment in The Star will be another major growth driver of the Group's business. The combination of the Group's skillset in delivering mixed-use developments and the required licenses and operating team to manage a gaming business, which is a market of high entry barrier, will place the Group in a unique position to develop projects with elements tailored to individual locations.

The Group has a favorable liquidity position at approximately HK$8.1 billion and a net gearing ratio of 28.7%, reflecting the strength of the Group's balance sheet. Together with the available undrawn credit facility of HK$6.9 billion and with abundant asset base which remains unencumbered, there is a significant war chest to support the growth of the Group.

In conclusion, the Group has laid a solid foundation for growth and will continue to bring to its shareholders long-term growth.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had approximately 3,500 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.