MANAGING DIRECTOR'S REPORT

POSITIONING FOR THE NEXT GROWTH PHASE

FY2019 Key Achievements

FY2019 was a busy year for the Group with a number of key milestones completed as we continued to implement our development initiatives. Despite significant global economic headwind, I am pleased to report that the Group posted record revenue (HK$6.8 billion), beating the previous record. All business divisions recorded growth with key contributions coming from both existing core businesses as well as new acquisitions. A summary of achievements and key initiatives are set out below:

- Our consolidated revenue reached a new record of HK$6.8 billion;

- We completed a number of projects, including Aspen Crest and Marin Point in Hong Kong. The Towers at Elizabeth Quay in Perth reached a key milestone and started the hand-over phase. Artra in Singapore also progressed well to stage completion and contributed to our property sales revenue. Sales of completed products such as Royal Riverside (Towers 1 to 5) in Guangzhou and King's Manor and The Royal Crest II in Shanghai also contributed to our property sales revenue;

- We launched seven new projects, including The Garrison and Manor Parc in Hong Kong, West Side Place (Tower 3) in Melbourne, Perth Hub in Perth, Royal Riverside (Tower 5) in Guangzhou, Hornsey Town Hall in London and MeadowSide (Plot 5) in Manchester;

- We generated about HK$5.8 billion of presales on new launches during FY2019. The Group's cumulative contracted presales as at 31 March 2019 amounted to a record-breaking HK$14.6 billion;

- We made a number of land acquisitions including sites in Holland Road, Cuscaden Road and 21 Anderson Road in Singapore, Victoria Riverside of Northern Gateway in Manchester, a site in Baoshan District in Shanghai, and Union Street in Sydney (under a 50/50 JV with The Star) to replenish our land bank and add to our development pipeline;

- We obtained masterplan approval for Northern Gateway and planning approval for additional towers in Gold Coast;

- We recorded strong revenue growth in hotel operations. RevPAR growth in Hong Kong, full operation of Dorsett City London and contributions from the TWC Hotel Group in Europe helped our growth in the hotel division;

- Construction started for a number of new hotels including the extension of Dorsett Shepherds Bush and Ritz-Carlton Melbourne. The Ritz-Carlton hotel in Perth is scheduled to open in the second half of FY2020;

- Our car park business generated promising growth. New management contracts in Australia and regional growth in the UK and Europe from third party and self-owned car parks contributed to revenue increases;

- Gaming is a new contributor to the Group following the acquisition of TWC and our approximately 5% interest in The Star. We are expecting higher growth in coming year with new initiatives;

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Bourke Street, Melbourne

The Star Residences - Epsilon, Gold Coast

Queen's Wharf, Brisbane

- Construction of the integrated resort of Queen's Wharf Brisbane advanced smoothly. Demolition has been completed, and excavation and shoring are under progress. The project has largely progressed accordingly to plan;
- We completed BCG restructuring and added two prominent financial institutional investors as shareholders. The business has demonstrated good growth prospects; and
- We strengthened our management team in UK and continental Europe. Recently, we hired a senior ex-banker as Head of Corporate Development and Mergers and Acquisitions, a newly created position.

Post year end:

- We signed an agreement to acquire Bourke Street site in Melbourne with potential to build over 800 apartments;
- We launched internationally The Star Residences – Epsilon in Gold Coast; and
- We also secured a management contract from Macquarie to manage SkyCity's 3,300 car parking bays in Auckland New Zealand.

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Results Highlights

For FY2019, the Group recorded revenue of HK$6,842 million (FY2018: HK$5,831 million), a 17.3% increase as compared to FY2018. This growth was driven by higher sales recognition in residential developments as well as an equally strong performance in recurring income businesses helped by RevPAR growth in Hong Kong and the acquisition of TWC.

Despite the lack of gain on disposal of hotel (FY2018: HK$320 million), we recorded a net profit of HK$1,714 million in FY2019 allowing us to continue to pay a high dividend.

Reflecting confidence in the financial position of the Group, 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 amounts to HK$22 cents per Share, representing a payout ratio of 30.2%.

The Group is committed to a progressive dividend policy with a target payout ratio of 30% to 40% of our net profit, subject to capital expenditure requirements.

Over the years, we have built a solid development pipeline across our regional operations and the gross development value now reached HK$50 billion including acquisitions made post 31 March 2019. This pipeline, which is sufficient for 8-10 years, provides a clear visibility for revenue contribution in the coming years.

We are continuing to add new hotels to our portfolio with 15 hotels currently under planning/construction. We remain optimistic about the Asian tourism potential and the significant value upside in hotel developments. In order to build customer loyalty our hotel division launched a loyalty programme during the year, with 14 hotels worldwide under Dorsett Group participated. As at the end of 31 March 2019, the programme has over 114,000 members.


Care Park Operation Center


Dorsett Singapore

Our car park division continued to grow strongly in the past year with 10,275 car park bays added. Revenue continued to increase during the Year to reach HK$720 million.

On our gaming operation, TWC casinos recorded an increase in revenue compared to the same 11-month period pre-acquisition. During the Year, we carried out integration of TWC team with our UK operations. We also implemented strategies to promote European and Asian visitation to our casino properties which will continue in the FY2020. Our investment in The Star generated good dividend income. The strategic partnership which includes the development of The Star's sites in Gold Coast and Sydney is expected to generate financial returns in the coming years as the mixed-use development completes in phases.

The strategic relationship is synergistic to the Group's property development and hotel businesses and strengthens the already established relationship with The Star and CTF.

For more details on our financial results, please refer to the section entitled "Management Discussion and Analysis".

Positioning for the Next Growth Phase

Our four core pillars of growth are now residential property development, hotel development and operations, car parking business and the newly added gaming operations, following our recent acquisitions.

As mentioned in my previous report, our established "Chinese Wallet" strategy has now been extended to an "Asian Wallet" strategy whereby we target middle class customers from Asia for the growing outbound tourism market and for the increasing appetite in international property investment business. We believe that there remain significant long-term opportunities in these market segments and we will continue with our regionalisation approach in targeting these opportunities.

We will also seek partnership with operators possessing land ownership in good locations to jointly develop their sites for regeneration or repurposing which will help improve utilization of land resources.

In addition to building a diverse development pipeline which allows us to manage cyclicality in different regions, we will continue to allocate more capital to recurring cash flow businesses such as hotels and car parks.

Following the establishment of BCG which specializes in mortgage loans, we are looking at opportunities to establish more asset management platforms in different asset classes such as hotels and car parks. This will create a new earning stream for the Group and at the same time create avenues to unlock the significant value hidden within the Group's property portfolio.

We will continue with our prudent approach in allocating capital across different divisions and regions to allow us to generate higher returns on equity compared to our peer groups in Hong Kong. We firmly believe this approach should drive share price out-performance.

Capital Structure and Balance Sheet Management

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

During the Year, we bought back 12.7 million Shares with a total value of HK$52.5 million. For the coming year we will target a buyback of up to HK$200 million. We believe this is a good approach to enhance earnings per share and utilize capital freed up through unlocking of value in our hotel portfolio.

During the Year, we also completed a number of major loan financing including AUD660 million construction loan for West Side Place (Towers 1 and 2), HK$1.5 billion unsecured club loan for the Group, SGD417 million Holland Road development loan, and HK$2.3 billion Dorsett refinancing club loan.

As at 31 March 2019, the Group's cash and liquidity position amounted to HK$7.1 billion (HK$8.1 billion as at 31 March 2018). In addition, the Group's undrawn banking facilities was at HK$9.0 billion and the Group had 8 unencumbered hotel assets with capital value of HK$5.0 billion, which can be used as collateral for further bank borrowings, should additional liquidity be needed.

Net gearing ratio (adjusting for hotel revaluation surplus of HK$17,838 million which was not recognized on the balance sheet) was at 45.4% as at 31 March 2019. Balance sheet was suitably geared up without significantly affecting the Group's credit standing. Capital was deployed for land replenishments, as well as new business investments in gaming and mortgage finance.

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Corporate Governance and Corporate Social Responsibility

The Group firmly believes that a high standard of corporate governance is the key to facilitating sustainable development. We adopt an active approach in investors communication and provide a high degree of transparency to our investors. In recognition of the Group's efforts in its investor relations functions, corporate governance and corporate social responsibility, the Group received a number of international awards during the Year.

Some examples of our awards include:

- Seven awards in "2019 Asia's Best Managed Companies" Poll by FinanceAsia, including "Best Mid-Cap Company in Hong Kong"
- Best Case Award in the Second China Excellent IR Award
- Platinum Award at "The Asset Corporate Awards 2018"
- Three awards at "8th Asian Excellence Award 2018", including "Best Investor Relations Company in Hong Kong"
- Five honours at the HKIRA 4th IR Awards 2018, including "Best IR Company", "Best IR in Corporate Transactions", "Best Investor Meeting" and "Best Digital IR"

The Group is committed to continue its efforts in enhancing various areas in corporate social responsibility and will maintain a high degree of transparency through disclosures and provision of management access to shareholders and investors.

Prospects

Although the global economic environment is uncertain, 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.

The visibility of revenue growth of our business in the coming years remain good given that we have close to HK$15 billion of presales as at 31 March 2019 and many new pipeline hotels are under construction.

Our recent land acquisitions in Manchester, Shanghai and Melbourne and the joint venture arrangement with The Star in Australia have strengthened our development pipeline.

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For FY2020, we are targeting the following new launches in residential projects:

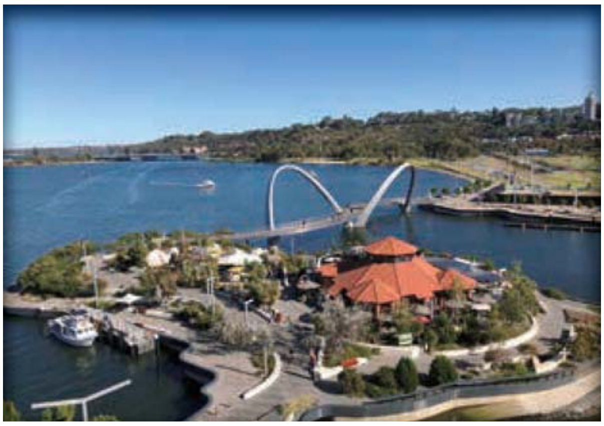
- The Star Residences Tower 2 – Epsilon in Gold Coast (launched)
- Queen's Wharf Residential Tower 4 in Brisbane
- Addington Street in Northern Gateway, Manchester
- Consort Place in London
- Holland Road and Cuscaden Road in Singapore
- Shatin Heights in Hong Kong
- Bourke Street in Melbourne

These projects have a combined GDV of HK$22.7 billion (Attributable GDV of HK$15.4 billion).

Regarding our recurring cashflow business, we expect growth to be derived from new hotels and a full year contribution from TWC and organic growth in car parking operations.

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. We have 15 new hotels with 3,235 rooms under various stages of development in Australia, the UK and Malaysia. The Ritz-Carlton in Perth is scheduled to become operational in the 4th quarter of 2019 and will contribute to hotel revenue growth from FY2020 onwards.

The Ritz-Carlton, Perth



View from The Towers at Elizabeth Quay, Perth

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In Shanghai, following the acquisition of rental land in California Garden, we are looking to develop a long term rental operating business in Mainland China.

Our car park division has grown strongly in the past year mainly through organic growth. As at 31 March 2019, we have 494 car parks with 99,143 bays, an increase of 10,275 bays compared to the beginning of FY2019. We expect the trend to continue in the coming year.

A number of new initiatives to increase footfall are being implemented for our Czech gaming operation. This includes the introduction of new game types such as Asian style Baccarat and Poker, expansion of marketing channels and promoting cross selling efforts. We intend to use the TWC platform to grow our casino gaming business leveraging on the connections we have in Asia. We expect these efforts will generate positive results in the coming year.

Ceska Casino, Czech Republic

Route 59 Casino, Czech Republic

For Queen's Wharf Brisbane, demolition and enabling works has been completed and the next development phase which includes excavation and basement construction are underway. Located in the Brisbane CBD, the world-class integrated resort will include a casino, four world-class hotels (including a Dorsett hotel) and a retail mall. The first phase, which will include the casino, is currently expected to open in FY2023. The development is expected to provide a strong and steady cashflow stream to the Group.

BCG, our mortgage lending platform, has demonstrated promising momentum since its establishment in 2016. The business, which currently focuses on providing secured loan financing to non-residents (or residents with foreign income), has established offices in Beijing, Hong Kong, Kuala Lumpur, Melbourne, Singapore and Shanghai. As at 31 March 2019, its loan book reached AUD617 million. The business is synergistic to our international property development business and we continue to see good growth prospects in this operation.

It is important to note that, in addition to the value the Group generates through its operational activities, the Group also generates significant value through development of our hotel assets. This value has not been recorded or captured on our balance sheet due to the accounting standards we adopt. As at 31 March 2019, the revaluation surpluses for our hotel portfolio amounted to approximately HK$17.8 billion. In order to extract value from these hotel assets and unlock the surpluses accumulated over the years, we will either seek additional leverage based on market value of these properties or make selective disposals, or a combination of both.

Our long-term goal is to drive a higher return on equity through our capital structure optimization and capital reallocation initiatives. The Group will however continue to adopt a prudent approach in managing its balance sheet in order that its good credit standing is protected.

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In conclusion, our strategic direction remains unchanged. Our core strategy is to seek sustainable growth through the pursuit of "Asian Wallet". We aim to become a leader in providing overseas property investment, hospitality and entertainment services to the Asian's middle class segment. We target to achieve our goal through the following initiatives:

– Deepen regional diversification through strengthening our local execution team

– Focus on cities with strong population or tourism growth potential

– Extract synergies from recent investments in the casino gaming business

– Pursue our "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

I am optimistic about the Group's future and I very much look forward to the next phase of growth for the Group.

Cheong Thard HOONG
Managing Director