Managing Director's Report

FY2020 KEY ACHIEVEMENTS

FY2020 was a challenging year for the Group with a number of unforeseen global events affecting our businesses globally. The social unrest in Hong Kong, the US-China trade tensions and the outbreak of COVID-19 all significantly impacted our operations. Despite the significant global economic headwinds, I am pleased to report that FEC posted record revenue of HK$7.5 billion for the year, beating the previous record. A summary of achievements and key initiatives is set out below:

Property Development

- We completed a number of projects including Astoria Crest and The Garrison in Hong Kong and The Towers at Elizabeth Quay in Perth. Artra in Singapore also progressed well with construction entering the final phase and contributing to revenue recognition from staged completion. Sales of completed projects such as Royal Riverside in Guangzhou and California Garden in Shanghai also contributed to property sales revenue;

- We launched five projects with a total expected attributable GDV of HK$7.2 billion as at 31 March 2020. The five projects comprise The Star Residences – Epsilon in Gold Coast, Dorsett Place Waterfront Subang in Malaysia, Cuscaden Reserve in Singapore, Aspen at Consort Place in London and the highly awaited Queen's Wharf Residences (Tower 4) in Brisbane;

- We have received planning approvals for New Cross Central in Manchester and started pre-marketing the project;

- Total cumulative presales stood at HK$12.2 billion as at 31 March 2020 despite a sales recognition of HK$4.8 billion and adverse foreign currency exchange rates against the Hong Kong Dollar;

- We made a number of land acquisitions including a site at Bourke Street in Melbourne, next to our Upper West Side and West Side Place projects, and land comprising the Network Rail of Northern Gateway in Manchester to replenish our land bank and add to our development pipeline;

- We acquired, at an attractive price, a piece of land in California Garden in Shanghai which is earmarked for long-term rental purposes; and

- We signed agreements to acquire Ensign House in Canary Wharf, London, just across from Aspen at Consort Place, adding to our development pipeline and we signed a MOU with Sainsbury's to redevelop Sainsbury's site at Whitechapel Square in East London. The redevelopment is subject to planning approvals.

Hotel Operations and Management

- Our hotel operations were particularly hit by COVID-19 but we took decisive and early actions to mitigate its impact across our portfolio. We furloughed staff, cut costs and incentives and reviewed thoroughly all our expenses. We also shifted strategy for many of our properties to ensure that we are targeting the right customers during the period. All-in-all, whilst it has been a difficult period from the hotel industry, we have taken action to navigate this period of uncertainty;

- To continue our geographical diversification, a number of new hotels were added to our portfolio;

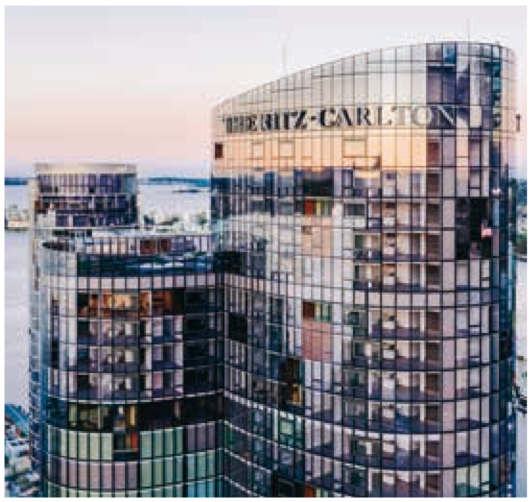
- We added three new hotel contributors to our operations, namely the Ritz-Carlton in Perth, the J-Hotel by Dorsett in Kuala Lumpur and the Oakwood Premier AMTD Singapore in Singapore (49% ownership) into our operations during the year, bringing an additional of 627 rooms as compared to 31 March 2019;

- We acquired a commercial site in Kai Tak, Hong Kong, that will have some office and retail space and a flagship Dorsett hotel. The project is currently going through planning approvals;

- Construction continued for a number of new hotels including the Dorsett Shepherds Bush extension in London and the Ritz-Carlton in Melbourne; and

- Given the uncertainty, we are delaying capital expenditures of some of the planned hotels.

The Towers at Elizabeth Quay and The Ritz-Carlton, Perth



The Ritz-Carlton, Perth

Managing Director's Report

Car Park Operations and Facilities Management

- We have continued to grow our portfolio to seek additional recurrent income. As a highlight, we successfully secured a management contract from Macquarie to manage SKYCITY's 3,256 car parking bays in Auckland, New Zealand. We also secured a management contract of 3,200 car parking bays across three campuses including a diverse range of services in Royal Melbourne Institute of Technology. During the year, a total number of 7,553 car parking bays were added to our portfolio. As at 31 March 2020, total car parking bays under ownership and management increased to 106,696 bays;

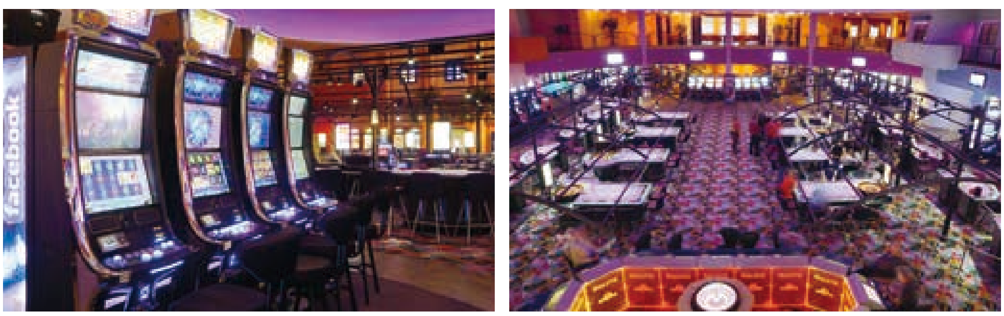
Car Park Operations and Facilities Management

Gaming Operations

- Gaming operations made their first full-year contribution to the Group in FY2020 following the acquisition of TWC. The business displayed good growth until it got disrupted by COVID-19 in March 2020. I am delighted to see that our casinos re-opened in early June 2020 and that business is returning to normal;

- The Star delivered good performance and continued to be a close partner of the Group across a number of projects; and

- Construction of the integrated resort of Queen's Wharf Brisbane advanced smoothly with the excavation and shoring well under way and remaining on time and on budget. Financing has also been secured, despite COVID-19 which is a testament to the quality of the project.



Route 55 Casino, Czech Republic

Perth Hub, Perth

Other Business

- Our BC Group business recorded strong growth in the loan book with a total mortgage book reaching approximately AUD1 billion as at 31 March 2020, a 55.9% increase compared to the mortgage loan balance of approximately AUD626 million as at 31 March 2019. Net interest margin expanded to approximately 2.07% as at the financial year-end. The loan book is also proving to be resilient with very few loans in arrears.

Balance Sheet and Management

- We completed our debut Perpetual Capital Notes offering and raised a total of US$360 million, including the two taps, strengthening the overall balance sheet position of the Group;

- We continue to keep a large balance of cash and highly liquid securities. Furthermore, we have access to undrawn facilities and have kept many assets unencumbered to maintain maximum financial flexibility; and

- Cost control initiatives were implemented to navigate the unforeseen challenge of COVID-19, such as standing down of workforce across regions, reducing fixed costs and overheads in some operations and cancellation of certain incentive payments.

Post year-end

Launch of safe deposit box business

- We established a new team to focus on a new safe deposit box business with our first outlet starting operation in Q3 2020 in Hong Kong with around 4,500 safe deposit boxes. This business is expected to contribute to our recurring income stream starting from FY2021.

FarEast Vault 遠東保庫

RESULTS HIGHLIGHTS

In FY2020, the Group recorded revenue of HK$7.5 billion (FY2019: HK$6.8 billion), a 8.9% increase as compared to FY2019. This growth was mainly driven by higher sales recognition in residential developments which more than compensated the decrease in our recurring income businesses.

Net profit attributable to Shareholder for the year amounted to HK$366 million, a 78.7% decrease as compared to last year, mainly due to the global economic uncertainty which has unavoidably put pressure on our margins, especially in the recurring income businesses. The one-off gain arising from the bargain purchase of TWC during FY2019 and the disposal gain of a stake on BC Group were not repeated this year. In addition, the Group suffered from adverse movements in the fair value of investment properties the hotel pre-operating expenses and higher finance costs in FY2020.

The Group remains resilient and continues to generate sustainable value for its Shareholders. As a result, the Board recommended a final dividend of HK15 cents per share. Together with an interim dividend of HK4 cents per share, the total dividend for the year will amount to HK19 cents per share. The Group is committed to maintaining a progressive dividend policy in the long run.

Over the year, we have built a solid development pipeline across our regional operations and the GDV has reached over HK$51.6 billion as at 31 March 2020. This pipeline, which is sufficient for 8-10 years of property development, provides clear visibility for revenue contribution in the coming years.

Hotel operations took the biggest hit in the dramatic slowdown of tourism and business traffic globally. That said, we continue to cautiously add new hotels to our portfolio with 13 properties currently under planning or construction. During the year, in addition to the Oakwood Premier AMTD Singapore jointly acquired by the Group with AMTD, the Group has opened two hotels namely, the Ritz-Carlton in Perth and the J-Hotel by Dorsett in Kuala Lumpur. With the tender won for a commercial plot in Hong Kong during the year, a new flagship 400-rooms Dorsett hotel is expected to contribute to the portfolio from 2023. Total hotel rooms under ownership and management increased to 11,351 rooms as at 31 March 2020, from 10,707 rooms as at 31 March 2019.

Sky deck, Queen's Wharf, Brisbane

Car Park Operations and Facilities Management

Revenue from car park operations was also impacted by the economic slowdown. However, we continue to seek new opportunities to grow organically our portfolio of managed car parking bays. Total car parking bays under ownership and management increased to 106,696 bays as at 31 March 2020.

In our gaming operations, TWC made its first full-year contribution to the Group and recorded revenue of HK$271 million in FY2020. During the year, TWC continued to implement strategies to promote European and Asian visitation to its casino properties and introduced new games that have gained good early traction. The strategic partnership with The Star remains very solid with a number of existing co-development projects ongoing and the landmark Queen's Wharf Brisbane integrated resort project on track.

The strategic relationship is synergistic to the Group's property development and hotel business 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".

POSITIONED TO CAPITALISE ON THE RECOVERY

Our performance in FY2020 has been inevitably affected by the outbreak of COVID-19 and the general uncertainty in the global economy. The Group has worked very hard to position itself to weather the global economic headwinds and to get itself ready to take advantage of a rebound in business activity during the recovery phase. We have taken the following specific measures:

- Dramatically reducing overheads in the hotel and gaming operations through standing down operating workforce as well as cutting fixed costs;
- Reducing overheads in the car park operations including elimination and deferrals of expenses;
- Cancellations of certain incentive payments; and
- Streamlining of operations including reducing workforce in certain operations.

The Group implemented the above cost control initiatives and expects net annualised savings of approximately HK$170 million.

Furthermore, the Group is also expected to benefit from government incentives and compensation programmes such as in Hong Kong, the Employment Support Scheme under the Anti-epidemic Fund in which the HKSAR government will provide a wage subsidy to eligible employers. In addition, in Singapore and Australia, we are taking advantage of certain tax deferral and incentive programmes offered by these governments. With incentives offered, the Group expects to receive approximately HK$140 million, the financial impacts of COVID-19 in FY2021 will be, to some extent, mitigated.

The Group remains very disciplined in reviewing investment opportunities. The current market environment is starting to force certain owners of assets or businesses to consider selling or introducing a partner. The Group will seek to take advantage of the environment to grow its operations. To that effect, we are looking to acquire a controlling interest in EH REIT Manager and EH Trustee-Manager, the managers of Eagle Hospitality REIT, listed in Singapore.

We will also seek partnerships with companies that own land in good locations to jointly develop their sites for regeneration or repositioning which provides us with an attractive strategy to land bank and helps to 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 capital to recurring cash flow businesses such as hotels and car parks. The vast majority of that capital is internally generated by the hotels and car parks.

The view from the Towers at Elizabeth Quay, Perth

Following the successful establishment of BC Group, 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 earnings stream for the Group and at the same time create avenues to unlock the significant value hidden within the Group's portfolio. We will continue to review opportunities to unlock value in our hotel portfolio.

We will continue with our prudent approach in allocating capital across the different divisions and regions to allow us to generate higher returns on equity as compared with 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 management of our capital, the Group continued to optimize its capital structure and prioritised access to ample liquidity.

During the year, in addition to the US$360 million Perpetual Capital Notes we issued, we have also completed a number of major loan financings including: AUD660 million construction loan for West Side Place Stage 1, S$217 million (100% apportionment) for the acquisition of Oakwood Premier AMTD Singapore hotel and HK$980 million development loan for the Kai Tak site. Post the financial year-end, we have executed AUD648 million financings for West Side Place Stage 2 and the AUD1.6 billion financings for Queen's Wharf Brisbane in which the Group has a 25% interest.

As at 31 March 2020, the Group's cash and liquidity position amounted to HK$6.1 billion (HK$7.0 billion as at 31 March 2019). In addition, the Group's undrawn banking facilities stood at HK$6.0 billion and the Group had 7 unencumbered hotel assets with a capital value of HK$4 billion, which can be used as collateral for further bank borrowings, should additional liquidity be needed. The Group also has a number of others assets unencumbered (retail podiums, completed residential units, etc.)

Our net gearing ratio (adjusting for hotel revaluation surplus of HK$16,348 million, which is not recognized on the balance sheet) stood at 56.7% as at 31 March 2020. Although hotel valuations were affected by COVID-19 and significant adverse exchange rate movements, the Group's credit standing remains healthy.

In relation to our equity base, we bought back approximately 50 million shares with a total consideration of approximately HK$170 million which partially offset the scrip issued during the year per our dividend reinvestment option scheme. We believe this is a good approach to enhance earnings per share and return capital to our Shareholders along with the declared dividends.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Group firmly believes that a high standard of corporate governance is key to facilitating sustainable development. We adopt an active approach to 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.

Examples of awards include:

- Five awards in "2020 Asia's Best Companies" Poll by FinanceAsia, including "Best Mid-Cap Company in Hong Kong";
- "Most Honored Companies" at "Institutional Investor's 2019 All-Asia Executive Team";
- Tied First for the "30 Years of Corporate Governance Awards (Hong Kong)" by Asiamoney;
- Gold Award at "The Asset ESG Corporate Awards 2019";
- Two awards at "9th Asian Excellence Award 2019", including "Best Investor Relations Company in Hong Kong";
- Nine awards in "2019 5th Investor Relations Awards" by HKIRA, including "3 Years IR Awards Winning Company", "Best IR Company", "Best IR in Corporate Transaction" and "Best Investor Meeting"; and
- Two awards at the "Third China Excellent IR Award".

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

PROSPECTS

The economic outlook has become more challenging to predict as the recovery from COVID-19 is uncertain and the short and long-term consequences on the economy are yet to be fully assessed. In this environment, the Group has taken a series of mitigation and control measures across countries to navigate through this challenging time and will continue to pay close attention to the health of the economic recovery. We stand ready to implement more measures if the situation worsens. Equally, we can quickly switch gear and be more aggressive in seeking more opportunities if the economy rebounds quickly and sustainably.

Revenue from property development in the coming years is expected to remain good given that we have over HK$12.2 billion of presales as at 31 March 2020 and construction of these projects are well underway. These presales provide clear visibility of revenue recognition of our business in the coming years.

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

For FY2021, we are targeting the following new launches in residential projects:

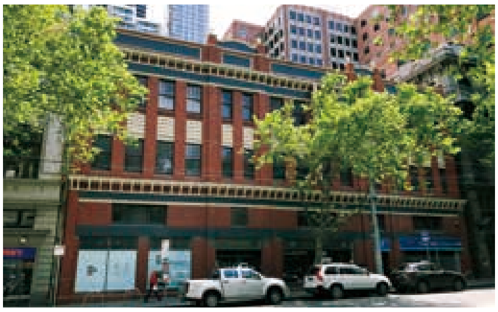
- Holland Road in Singapore (total 320 units)
- Shatin Heights in Hong Kong (total 66 units)
- Bourke Street in Melbourne (total 857 units)
- New Cross Central in Manchester (total 80 units)
- Victoria Riverside in Manchester (total 612 units)

These projects have a combined GDV of HK$9.6 billion (attributable GDV of HK$8.9 billion).

Revenue from our hotel operations was impacted by COVID-19 and we do not expect a quick return to normality. Under the current environment, we will continue to review and control operating costs to ensure that the business can endure a long period of adverse conditions. Currently, we have 13 hotels with 3,250 rooms that are under various stages of development. Upon a return to normality, this pipeline will allow us to immediately enter our growth phase again.

Stable organic growth in our car park operations was recorded in FY2020. However, since the widespread COVID-19 happened in February 2020, the operations have faced pressure from the decline in market sentiment. With regards to the situation, we continue to evaluate and actively review all lease commitments and seek to reduce rental obligations on impacted leases.

Holland Road, Singapore



Bourke Street, Melbourne

Shatin Heights, Hong Kong

For gaming operations, we have implemented various new initiatives to increase footfall for our gaming operations in the Czech Republic. We intend to drive more traffic through the TWC platform by leveraging the connections we have in Asia. The casinos have reopened since early June 2020 and we expect the aforementioned efforts could generate positive results.

Route 55 Casino, Czech Republic

Queen's Wharf Brisbane, Brisbane

For Queen's Wharf Brisbane, demolition and enabling works have been completed and the next development phase, which includes basement construction and superstructure, is underway. Located in the CBD, the world-class integrated resort will include a casino, three hotels (including a Dorsett hotel) and a retail mall. The first phase, which will include the casino, is currently expected to open in FY2023. At present, the project is proceeding full steam ahead. The development is expected to provide a strong and steady cash flow stream to the Group upon opening.

BC Group, our mortgage lending platform, demonstrated strong momentum since its establishment in 2016. The business, which currently focuses on providing residential secured loan financing in Australia 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 2020, the loan book reached approximately AUD1 billion and has performed well despite the current COVID-19. 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 the development of its 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 2020, the revaluation surpluses for our hotel portfolio amounted to approximately HK$16,348 billion. In November 2019, we announced that we are considering a potential separate listing of certain hospitality assets of the Group in Australia, Singapore, Malaysia and the UK. Given the COVID-19 situation, it is not conducive to launch the transaction in the immediate future. However, the Group is still actively evaluating individual sales of hotel to unlock value in the portfolio.

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

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

- Deepen regional diversification through strengthening of local execution teams;
- Focus on cities with strong population or tourism growth potential;
- Push our "Asian Wallet" strategy to capitalize on the growing affluence of the middle-class in Asia; and
- Adopt a prudent financial management policy and optimize own capital structure through active capital reallocation with the aim to drive a higher return on equity.

I am optimistic about the Group's future and I very much believe that we are well-positioned for the recovery of the global economy. We have a number of existing projects on the way that will provide very strong cash flows to the Group in the years to come.

Cheong Thard HOONG
Managing Director