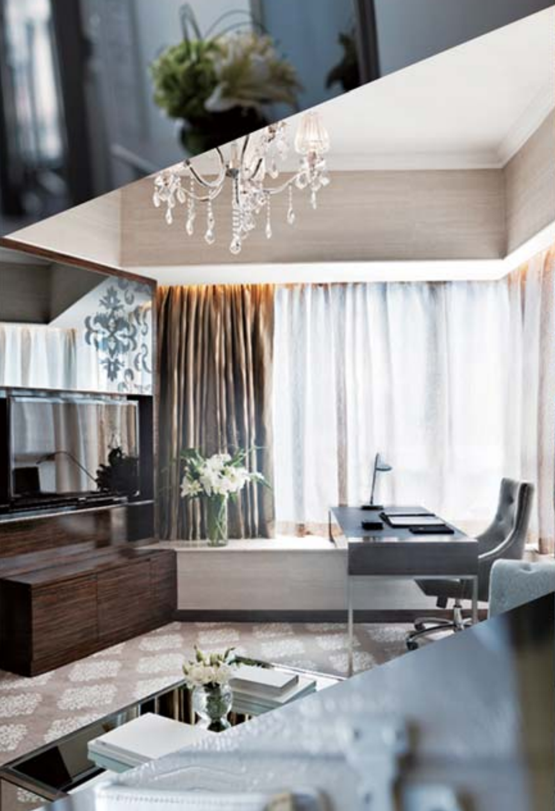


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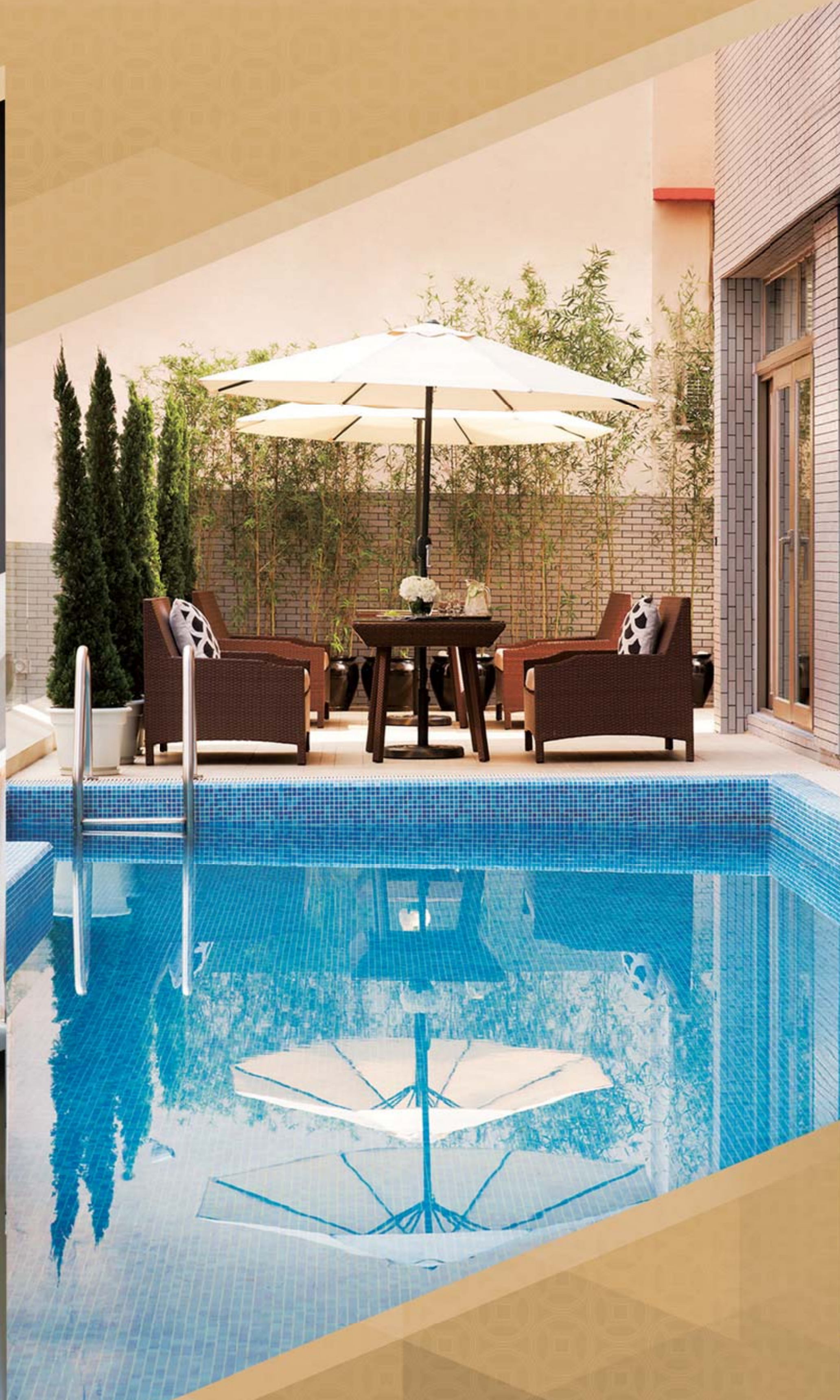
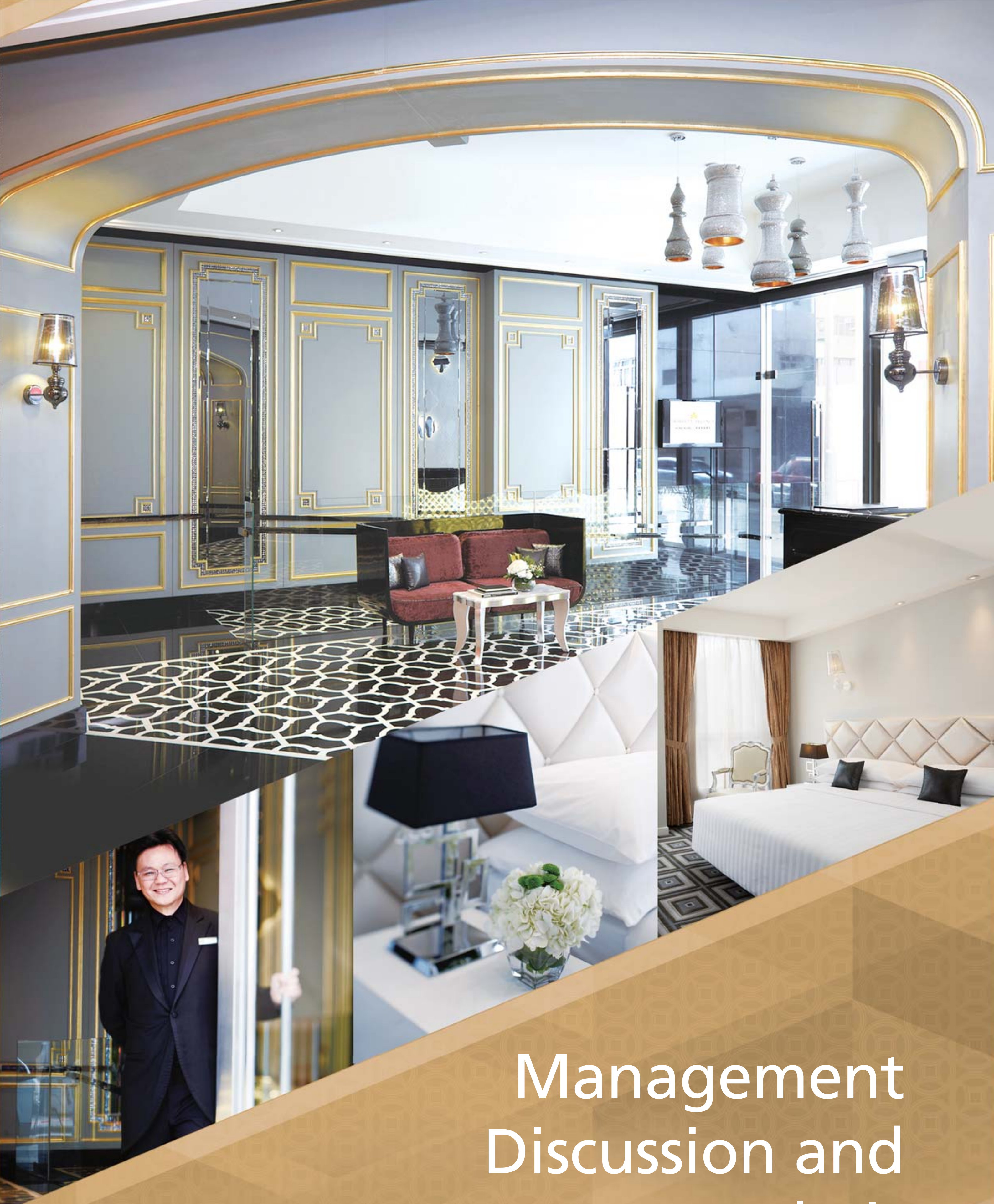
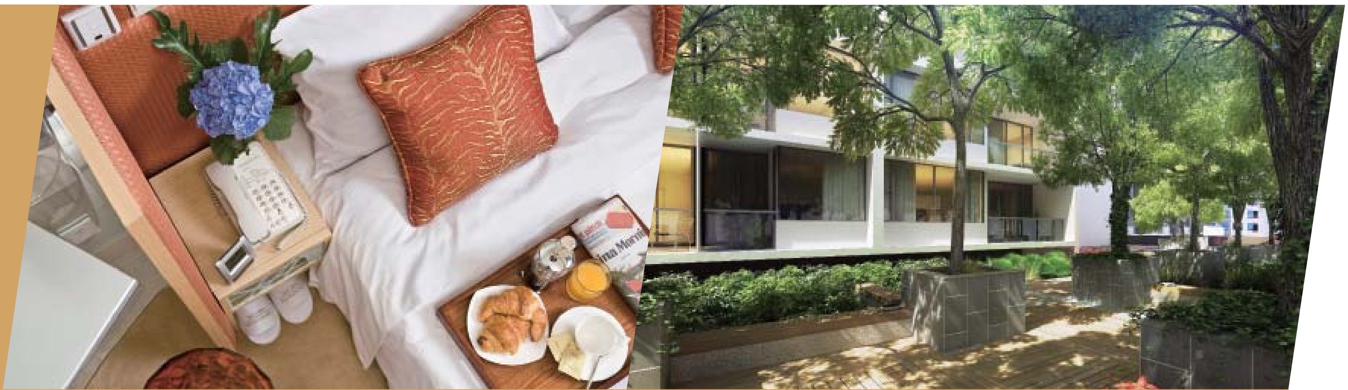




Management Discussion and Analysis

Management Discussion and Analysis



Cosmo Hotel Mongkok, Hong Kong　　Upper West Side, Melbourne

FINANCIAL HIGHLIGHTS

- Net profit attributable to owners increased by 13.7% to HK$448 million. Earnings per share increased by 9.5% to HK$0.23.
- Net assets attributable to owners increased from HK$3.7 per share to HK$3.8 per share. Adjusting for hotel revaluation surplus, net assets attributable to owners as at 31 March 2012 was HK$6.7 per share.
- Net gearing ratio at 28.8%(i) and cash position at approximately HK$1.7 billion as at 31 March 2012.
- Final dividend of HK$0.05 per share for the year ended 31 March 2012 recommended (2011: HK$0.05 per share).
- Presale value of properties under development at approximately HK$4.8 billion as at 31 March 2012.

Note:
(i) Revaluation surplus on hotel assets of HK$7,750 million as at 31 March 2012 was not recognized in the Company's consolidated financial statements, but adjusted for calculation of the net gearing ratio.

FINANCIAL REVIEW

1. Annual results

The Company's consolidated revenue for the financial year ended 31 March 2012 was HK$1,761 million, representing an increase of 6.4% as compared with last financial year. Hotel operation and car park business contributed revenue of HK$1,096 million and HK$537 million respectively, representing an increase of 26.4% and 15.7% respectively as compared with last financial year. Revenue from investment property was HK$66 million, representing an increase of 9.8% as compared with last financial year. Property development business recorded a decrease in revenue by 81.2% to HK$46 million for the financial year ended 31 March 2012 due to low property completion during the financial year.

Gross profit of the Company for the financial year ended 31 March 2012 was HK$848 million, representing an increase of 12.2% as compared with last financial year. Gross profit margin for the financial year ended 31 March 2012 was 48.1% (2011: 45.7%). Improvement in gross profit margin was mainly contributed by improvement in gross profit margin in the Group's hotel operations. For the financial year ended 31 March 2012, gross profit margin of hotel operation increased from 54.5% to 59.4% and that of property development increased from 46.1% to 61.8%. Gross profit margin of investment property for the financial year ended 31 March 2012 decreased from 60.9% to 56.1% and that of car park business decreased from 25.1% to 21.9%.

Net profit attributable to owners of the Company for the financial year ended 31 March 2012 was HK$448 million, representing an increase of 13.7% as compared with last financial year. Other than increase in contribution from hotel operations, a gain on disposal of "Central Park Hotel" in Hong Kong of HK$278 million (after minority interests) and investment property fair value gain of HK$148 million also made contribution to the net profit of the Group.

2. Liquidity and financial resources

	KHI (HK$ million)	Consolidated Group (HK$ million)
Bank and cash balances	875	1,744
Bank loans, convertible bonds and borrowings	3,627	6,416
Carrying amount of total equity	3,420	8,500
Add: hotel revaluation surplus	7,750	7,750
Total equity	11,170	16,250
Net gearing ratio	24.6%	28.8%

As at 31 March 2012, the Company's total consolidated equity attributable to owners amounted to HK$7,452 million, an increase of 6.0% as compared with that as at 31 March 2011. KHI recorded a revaluation surplus of HK$7,750 million over the carrying value of its hotel portfolio as at 31 March 2012. This surplus was not recognized in the Company's consolidated statement of financial position. Taking into account the hotel assets revaluation surplus, KHI's net gearing ratio was 24.6% and the net gearing ratio of the Group was 28.8%. The Group maintained a strong financial position and had sufficient financial resources to cater for its operating activities as well as its existing and potential investment activities.

Dorsett Place Waterfront, Kuala Lumpur

Upper West Side, Melbourne

3. Property presales

As at 31 March 2012, total presale value of properties under development reached HK$4.8 billion. Completion of the developments is expected to take place in the coming 3 years. A breakdown of property presales as at 31 March 2012 is set out below:

Developments	Location	Presale value
Upper West Side stage 1	Australia	HK$2.1 billion
Upper West Side stage 2	Australia	HK$1.9 billion
Star Ruby	Hong Kong	HK$311 million
Dorsett Regency Residences[(i)]	Singapore	HK$500 million
Total presale value as at 31 March 2012		HK$4.8 billion

Note: (i) Dorsett Regency Residences in Singapore is 100% owned by KHI.

The above presales do not include the presales of Dorsett Place Waterfront, Subang in Malaysia and The Royal Crest, Shanghai in Mainland China which were launched after 31 March 2012.

4. Convertible bonds (the "Bonds") redemption

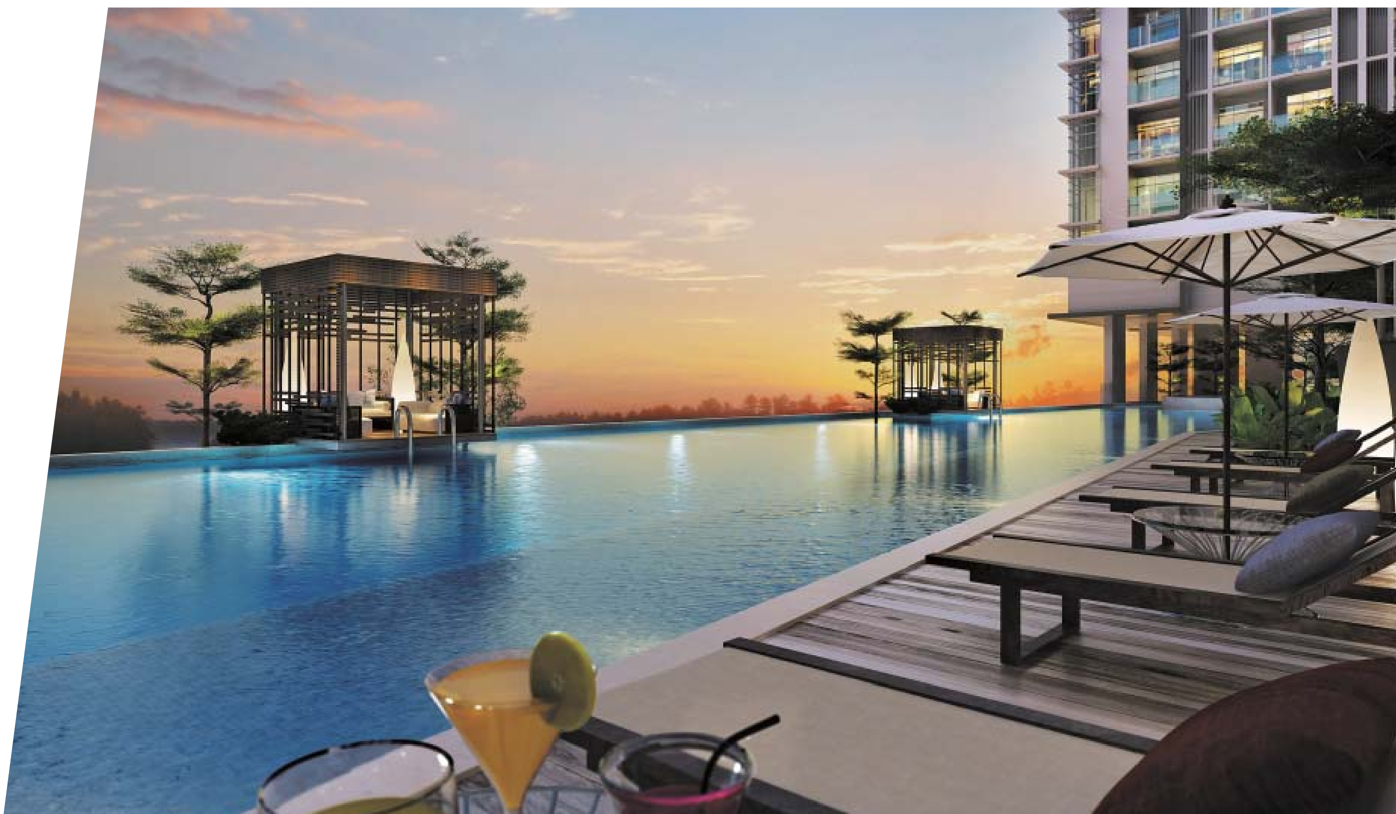
On 5 March 2012, the Company redeemed part of the Bonds with a principal amount of HK$649.5 million upon the exercise of the put option by bondholders. Following the redemption, the remaining outstanding principal amount of the Bonds was HK$33.5 million as at 31 March 2012.

5. Contingent liabilities

During the year ended 31 March 2010, a subsidiary of the Company took out legal action in High Court of Hong Kong to claim against the contractor for breach of contract for the unsatisfactory performance in relation to the construction of a hotel for an amount of HK$14,356,000 and in response to the claim, the contractor filed counterclaims against the subsidiary for an amount of HK$25,841,000. The trial will commence on 30 July 2012. In the opinion of the Directors, there is a fair chance of winning the lawsuit after obtaining legal advice from the lawyer. Accordingly, no provision for potential liability has been made in the consolidated financial statements.

6. Capital commitments

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of:		
Acquisition, development and refurbishment of hotel properties	**585,760**	595,557
Others	**4,421**	1,528
	590,181	597,085
Capital expenditure authorized but not contracted for in respect of:		
Development and refurbishment of hotel properties	**319,593**	28,177
Others	**19,274**	22,933
	338,867	51,110
	929,048	648,195



Dorsett Place Waterfront, Kuala Lumpur

7. Subsequent events

(i) Repurchase of 230 million shares (11.7% of issued shares capital) at HK$1.23 per share

On 16 April 2012, the Company entered into a Share Repurchase Agreement to acquire 230 million shares of the Company from Penta Investment Advisers Limited at HK$1.23 per share. The Share Repurchase Agreement is conditional upon, inter alia, (i) the Executive granting the Whitewash Waiver and approving the Share Repurchase; and (ii) the Disinterested Shareholders approving (a) the Share Repurchase Agreement and the transactions contemplated thereunder; and (b) the Whitewash Waiver, at the Company's extraordinary general meeting. Subject to the above conditions, the Share Repurchase is expected to complete by the end of July 2012, following which the shares repurchased shall be cancelled. The Company will fund the Share Repurchase from internal financial resources. For details of the Share Repurchase and the meanings of the capitalized terms used in this paragraph, please refer to the Company's announcement dated 16 April 2012.

(ii) Sale of Dorsett Regency Hong Kong, Kennedy Town

On 25 May 2012, KHI entered into an agreement to dispose of its entire equity interest in (together with the assignment of the loans to) Hong Kong (SAR) Hotel Limited which is the owner and operator of Dorsett Regency Hong Kong, Kennedy Town, for HK$800 million. Subject to the Shareholders' approval at the Company's extraordinary general meeting, the transaction is expected to complete in September 2012. The estimated gain from the disposal attributable to the owners of the Company is approximately HK$329 million.

BUSINESS REVIEW

1. Property division

The property division includes property development and investment property holding.

Investment properties mainly comprise retail and office buildings located in Shanghai, Hong Kong, Melbourne, Singapore and Malaysia. As at 31 March 2012, investment properties were valued at HK$2.5 billion. A fair value gain of HK$148 million was recorded in respect of the Group's investment properties during the financial year ended 31 March 2012. Revenue from investment property for the financial year ended 31 March 2012 increased to HK$66 million, representing an increase of 9.8%.

The Group entered into an agreement in March 2012 to sell 51 strata units in Parkway Centre located in Singapore for SG$53.4 million (approximately HK$327 million). The transaction is expected to complete in June 2012. The Group considers that it is beneficial for the Group to cash in one of its investment properties, as it allows shareholders' value to be realized. The disposal will also reduce the Group's total bank borrowings following repayment of the property's mortgage loan. This would also provide additional cash flows to the Group to enable it to redeploy its resources to other value-accretive investment opportunities.

The Company is committed to providing quality residential properties, geographically covering Mainland China, Australia, Hong Kong, Malaysia and Singapore. Such geographic coverage enables the Company to time property cycles in different countries or regions. As at 31 March 2012, the GFA in our property development pipeline reached more than 10 million sq. ft., which is sufficient for our property development in the coming 6 to 7 years.

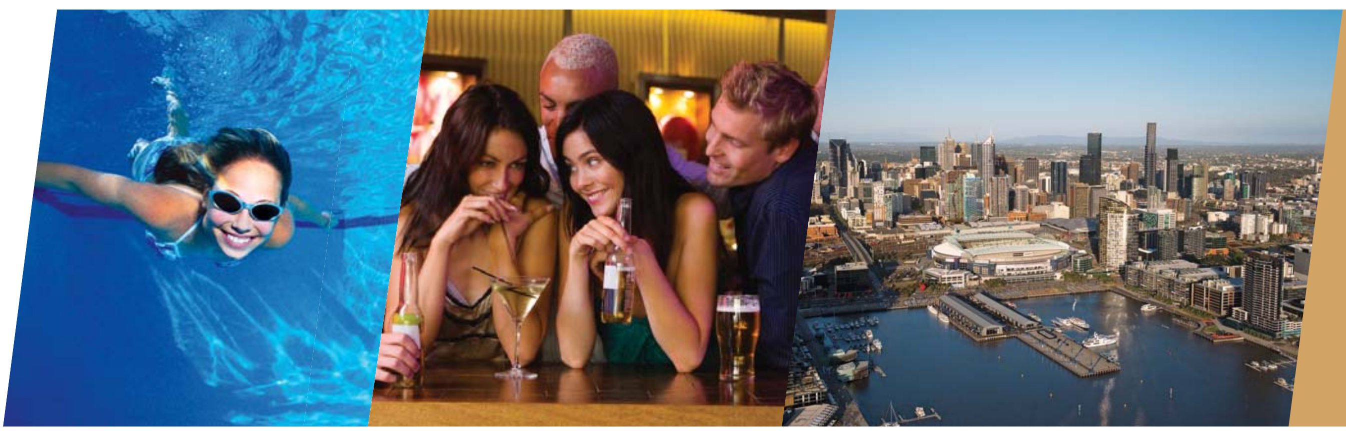
For the financial year ended 31 March 2012, revenue from property development decreased by 81.2% to HK$46 million due to decrease in completion of property development projects. However, currently construction works of our 10 projects amounting to approximately 5.5 million sq. ft. in GFA are being carried out across the Asia Pacific region and are expected to complete within the coming 3 years.

Australia

The major property development in Australia is the Upper West Side development which is a high rise residential development located at Central Business District in Melbourne and the total development consists of approximately 1.3 million sq. ft. in GFA divided into 4 stages.

Total GFA of Upper West Side stage 1 development is approximately 400,000 sq. ft., consisting of 700 apartments. As at 31 March 2012, presale value of stage 1 reached HK$2.1 billion (AU$272 million), accounting for approximately 98% of stage 1 development. Completion of stage 1 is expected to take place by stages in the financial years ending 31 March 2013 and 2014.

Upper West Side stage 2 development (named as "Madison at Upper West Side") with approximately 400,000 sq. ft. in GFA consists of 584 apartments. As at 31 March 2012, presale value of stage 2 reached HK$1.9 billion (AU$238 million), accounting for approximately 75% of stage 2 development. Completion of stage 2 is expected to take place in financial year ending 31 March 2015. Stages 3 and 4 with approximately 500,000 sq. ft. in GFA will follow thereafter. Currently, planning works have been commenced for the stage 3 development.



The Royal Crest, Shanghai

Mainland China

As at 31 March 2012, the property development pipeline in Mainland China comprised approximately 6.5 million sq. ft. in GFA, with major focus in Shanghai and Guangzhou. In Shanghai, presale of "The Royal Crest" consisting of 288 low rise residential apartments (approximately 270,000 sq. ft. in GFA) under California Garden has been commenced in May 2012. The development is expected to complete in financial year 2014. Currently developments of another approximately 1,000 low rise residential apartments and 50 town houses with total GFA of approximately 1.2 million sq. ft. are undergoing. Completion is expected to take place mainly in financial year 2014.

In Guangzhou, earthworks of a residential development (namely, "Huadijiayuen") consisting of approximately 1 million sq. ft. in GFA have been commenced. Presales and completion are expected to take place in financial years 2014 and 2015 respectively.

Hong Kong

Presale of Star Ruby located in Hunghom district commenced in the second half of the financial year ended 31 March 2012. Star Ruby consists of 124 high rise residential apartments with approximately 66,000 sq. ft. in GFA. As at 31 March 2012, presale value reached HK$311 million and the development is expected to complete in financial year 2015.

Presale of a property development at No. 287–293, Sai Yeung Choi Street North in Sham Shui Po, consisting of 39,000 sq. ft. in GFA, will be launched in the second half of financial year 2013. Earthworks have been commenced and completion is expected to take place in financial year 2015. Another development project at No. 90–100 Hill Road in Pok Fu Lam, consisting of 45,000 sq. ft. in GFA, is in the planning stage following the Group's successful acquisition of the entire legal title of the development site in the second half of the financial year ended 31 March 2012.

2. Hotel operation and management — Kosmopolito Hotels International Limited ("KHI")

For the financial year ended 31 March 2012, revenue and gross profit of KHI increased by 26.4% and 37.8% to HK$1,096 million and HK$651 million respectively, as compared with last financial year. Gross profit margin reached 59.4% from 54.5% of last financial year. KHI's net profit for the financial year 2012 increased by 190.3% and the net profit attributable to owners of the Company was HK$442 million. The factors driving such growth include (i) the improvement in RevPar which increased by an average of 23.9% as compared with last year across all regions; (ii) contribution from the newly opened hotel, namely Dorsett Regency Hong Kong, Kennedy Town; (iii) full year contribution from Cosmo Hotel Mongkok, Hong Kong since its opening in July 2010, and (iv) a gain on disposal of Central Park Hotel in Hong Kong attributable to owners of the Company of HK$278 million.

A revaluation surplus on hotel assets at approximately HK$7,750 million has not been accounted for in the consolidated financial statements of the Company as at 31 March 2012.

As at 31 March 2012, KHI owned 21 hotels, of which 15 owned hotels are operating whilst the remaining 6 owned hotels are under construction and planning stages. KHI's hotel business is spread over Hong Kong, Malaysia, Mainland China, Singapore and United Kingdom. KHI has 8 owned hotels amounting to more than 1,900 rooms in Hong Kong and 5 owned hotels amounting to more than 1,400 rooms in Malaysia. In Mainland China, KHI is operating 2 owned hotels consisting of approximately 600 rooms. Taking into account the management contracts (The Mercer by Kosmopolito and Central Park Hotel), the total number of rooms under KHI's management reached more than 4,000 rooms as at 31 March 2012.

KHI completed the acquisition of a redevelopment property (namely, "Big Orange") in Hong Kong for HK$210 million on 17 April 2012 with a plan to developing a hotel of 420 rooms under the Silka series. This is at planning stage and is expected to complete for operation in first half of financial year 2015.

Together with the Big Orange being added to the pipeline, it is anticipated that KHI will increase the hotel rooms to approximately 7,000 within the coming 3 financial years. This pipeline includes 3 hotels in Hong Kong consisting of approximately 1,300 rooms, 2 hotels in Mainland China consisting of approximately 1,000 rooms, 1 hotel in Singapore consisting of approximately 300 rooms and 1 hotel in United Kingdom consisting of approximately 300 rooms.

3. Car Park division

The Company's car park management portfolio comprises third-party-owned car parks and self-owned car parks in Australia, New Zealand and Hartamas shopping mall in Kuala Lumpur, Malaysia. As at 31 March 2012, the portfolio consisted of more than 250 car parks, with approximately 49,000 car park bays under the Group's management. In this portfolio, 20 were self-owned car parks amounting to approximately 5,600 car park bays. They are located in Australia and Malaysia. The remaining car parks were third-party-owned car parks under the Group's management. Third-party owners included local governments, shopping malls, retailers, universities, airport, hotels, hospitals, governmental departments and commercial and office buildings. During the financial year 2012, approximately 3,000 car park bays were added to the management portfolio.

During the financial year ended 31 March 2012, the Group's Car Park division generated revenue of HK$537 million, representing an increase of 15.7% as compared with that of previous year. The division recorded steady growth and will continue to contribute to the recurring income of the Group.

On 30 May 2012, upon exercise of the second anniversary put options granted under the shareholder agreement dated 7 May 2009, non-controlling shareholders of Care Park Group Pty Ltd ("Care Park") sold 2.3% of the total issued share capital of Care Park, which owns the Group's car park operations in Australia, to the Group for a consideration of AU$1,416,800 (approximately HK$11.3 million). Following the transaction, the Group increased its shareholding in Care Park to 76.05%. This will further strengthen the profit attributable to owners of the Company from recurring income base in the coming years.