

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT



I am proud that the Group has made several remarkable achievements in the current financial year. We have built a strong property development pipeline to maintain growth. Cumulative pre-sales value of properties under development has hit a record high of around HK\$10.7 billion, breaking through the threshold of HK\$10.0 billion for the first time, which provides a clear prospect of the Group's property sales for the coming years. During the Year, a series of large-scale residential projects were launched including West Side Place, a landmark project of the Group in Melbourne, Royal Riverside in Guangzhou and Royal Crest II in Shanghai, all with encouraging sales performance. Aspen Crest, the Group's residential development in Hong Kong, has been completely sold out. Subsequent to the Year, the Group has launched Artra in Singapore, Marin Point in Hong Kong and West Side Place Tower 4 in Melbourne, which have recorded satisfactory sales.

The Group continued to focus on major cities with net population growth and selectively replenish its land bank. The Group was selected to work with the Manchester City Council, the United Kingdom ("UK") to deliver the "Northern Gateway" project. This project, which will expand the city centre of Manchester with an extensive development area north from Victoria Station, is the latest and arguably the largest residential opportunity for transformational change undertaken in Manchester,

the third largest and one of the most prosperous cities in UK, which is well-known for its overseas transmission of architecture, culture, music and media as well as impressive scientific and engineering innovation. I have visited the city several times and firmly believe that this project will be the most important project in UK for FEC. This is another successful exploration for FEC in the international arena following the appointment of the Group as the developer for the Angel Meadow Site project at NOMA in FY2017, another major residential growth area for Manchester. Moreover, with the grant by the councils of the redevelopment project of Hornsey Town Hall in London, a historic Grade II building, Perth City Link project in Australia and the integrated resort project at Queen's Wharf in Brisbane, Australia, the GDV of the Group's projects currently stands at approximately HK\$47.2 billion, which can provide a secure platform for the development of the Group for the next decade. These projects demonstrate the confidence of local governments towards our international vision and professional knowledge in regional diversification. The Group has benefited from relatively low land prices for the project developments.

Regarding hotel operations, I am delighted to report that the hotel business in Hong Kong has started to bottom out as a result of the increase in tourist arrivals from other Asian and long haul regions and the revival of the number of Chinese tourists. For other overseas hotel markets, the industry continues to benefit from the growing number of middle-class travelers in Asia who are traveling more frequently and spending more. Following Brexit, it is expected that the depreciation of Sterling Pound will accelerate the growth of visitors to UK, which in turn will benefit our hotel operations there. These positive factors together with the increased number of rooms from the newly-opened Silka Tsuen Wan, Hong Kong and the soon-to-open Dorsett City in London, the attracting refurbished rooms in Dorsett Wanchai and Dorsett Kuala Lumpur, and the additional 3,500 plus rooms in 14 hotels under construction to be completed by FY2023, will undoubtedly boost the growth of our hotel operations in the near future. The Group is optimistic of the prospects of hotel operations.

The Group sees its car park operations as a core business with significant regional diversification and expansion potential. In the long term, the Group plans to expand its business into UK through the leveraging of the Care Park brand. Car park business continues to be a steadily growing recurring cash flow stream for the Group.

I am very pleased that our local teams in Mainland China, Hong Kong, Australia, Singapore and UK are becoming more experienced. Our new teams in Manchester and Perth were set up to provide on-the-ground execution for our projects and to recruit local talents. I firmly believe that in the era of product homogenization, future competition amongst corporations will not limit to products quality, but also on human resources. Talent is an important driver for the sustainability of an enterprise and also forms the competitive edge of a company. The Group has successfully launched its regional diversification with the assistance of the local teams having international vision.

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For corporate social responsibility, the Group is committed to striking a balance between earnings and sustainable development. We believe outstanding business environment, society and corporate governance are fundamental to maintaining long-term sustainable success. The Group encourages our staff to participate in community services with non-profit organizations, social enterprises and governments to benefit countries and communities where the Group operates and to create more job opportunities. During the period, the Group was granted many major awards, of which the most prestigious include: the eight top honors out of 14 awards in the 2016 *Asiamoney* Polls highlighted with the "Best Managed Small Cap Company Hong Kong" for two consecutive years; the Gold Awards in four categories of Governance, Social Responsibility, Environmental Responsibility and Investor Relations at The Asset Corporate Awards 2016; the "Best Managed Company in Asia in the Real Estate Category" in *Euromoney's* Best Managed Companies Survey 2016; and the "Best at Corporate Social Responsibility" in *FinanceAsia's* Asia's Best Managed Companies 2016 Poll. I am grateful that the Group's efforts in corporate management, corporate governance, corporate social responsibility and investor relations are widely recognized by the society.

Looking ahead, as the global economy remains challenging, the Group will pay close attention to the regional factors and adjust its strategy and deploy its resources accordingly. The Chinese factors may continue to consolidate, but the latest official data show that it is still healthy and the absolute economic growth is still a driver of the world's economy. It is believed that China's economy will gain strength in the future and China will continue to play an active role in the development of global economy. The new leadership in China is energetic and willing to cope with domestic issues, including deepening the supply-side structural reform and introducing a series of policies on reduction of production capacity, de-stocking, de-leveraging, lowering costs and improving weak links. In respect of Hong Kong, as the property market is on the high side, a potential adjustment is possible, but I still consider that, the property market in Hong Kong will see healthy development in the long-term. The Group will keep a close eye on the market conditions in Hong Kong and adjust its strategy. With regional diversification in development and the strong balance sheet of the Group, we are able to weather volatility in any single market while maintaining a favorable profit level. For land acquisitions, the Group will continue to be prudent and assess every project strategically to ensure relatively high profit margins for the Group. Our regional diversification provides greater flexibility to adjust our land bidding strategy.

The Group will continue to adopt the "Chinese Wallet" strategy targeting China's growing middle class travels to and investment in major world cities and pursue developments in diversified geographic locations with the focus on our three main businesses – residential developments, hotels and car parks. I believe that the middle-class Chinese will see overseas property investments as a protection in respect of investment returns, and their enthusiasm for property investments will continue to stimulate our market growth. The "Chinese Wallet" strategy and business diversification approach will generate significant income from property sales and recurring income from hotel and car park operations, enabling us to take advantage of different property cycles in different markets so as to achieve a steady growth. We have a strong balance sheet and sufficient cash flow to tackle challenges ahead, as well as making acquisitions and expansions in our core development areas. With the right business models, the Group is able and shall continue to maintain a stable dividend payout, and to achieve sustainable and steady long-term growth and returns to shareholders by continuously creating asset value.

On behalf of the Group, I would like to thank our Shareholders, partners, customers and our 3,600 staff for their efforts, which have promoted the sustainable and steady development of our business and contributed to the Group's success.

Chairman and Chief Executive Officer  
**David CHIU**

13 June 2017

