Managing Director's Report

OVERALL BUSINESS REVIEW

The financial year ended 31 March 2022 was a very busy year for the Group. New exciting projects were launched, non-core assets were sold, attractive acquisitions were completed and our operations continued their recovery from the COVID-19 pandemic. The year was not plain sailing, however, as the Group navigated a challenging business environment throughout the year. New COVID-19 variants and outbreaks affected our business. The ongoing deleveraging in China created headwinds for the property market and developers in China. The Federal Reserve turned more hawkish in light of rising inflation. Labour become tougher to find and keep, globally. And a conflict between Russian and Ukraine broke out, affecting the overall sentiment. As a result, we continued to look for new ways to optimise our operations. At the same time, the business and market environment did create interesting opportunities for the Group. In particular, more acquisition opportunities at the right price became available and, having analysed many throughout the year, a few were actioned and completed successfully.

The residential property business was impacted by some construction delays and some settlement delays. The COVID-19 pandemic created some supply chain and labour issues and affected the progress of some construction activities. Nevertheless, this affected all developers and the situation is getting back to normal. We also launched a number of new projects that have been met with a solid response.

Our hotels were impacted by COVID-19 but are recovering as business and leisure travelers are returning. In Hong Kong, the business was mitigated partially with our hotels being used as quarantine and close contact hotels. As Hong Kong re-opens, the situation should continue to improve. Furthermore, a number of new hotel properties will start contributing in the coming years.

Construction at Queen's Wharf, Brisbane

The car park and facilities management business has slowly recovered as the lock-downs were lifted. Similarly, for our gaming business in the Czech Republic, we have seen attendance and revenues rebound strongly as soon as the COVID-19 restrictions were lifted.

Finally, BC Invest continues to grow strongly organically and on the back of the Mortgageport acquisition. The Australian market remains buoyant and the entry in the United Kingdom has been a success so far.

Overall, the diversification of our business remains a strong point of the Group. It has allowed us to weather the headwinds better than others and to adjust our asset allocation where we see the most promising prospects.

During the year, we saw many attractive opportunities that arose as a result of financially weaker developers selling their development projects. The Group managed to secure a number of projects which added to our residential development pipeline.

We have continued to maintain a conservative approach in our financial management. We have lengthened the maturity profile of our borrowings by repaying or refinancing our debt. By selling some non-core assets, we have raised more liquidity to stand ready to take advantage of acquisition opportunities delivering better returns. Today, our balance sheet remains strong and liquid, and our outlook is very promising.

The following is a summary of our key achievements and results for the financial year ended 31 March 2022:

Key Achievements and Business Progress Update

Property Development

- We launched presale of a number of residential projects including Victoria Riverside in Manchester, Mount Arcadia in Hong Kong and more recently Queen's Wharf Residences (Tower 5) in Brisbane. These projects have a combined attributable GDV of approximately HK$6.3 billion.

- We achieved the highest amount ever of cumulative presales of properties so far at HK$16.7 billion as at 31 March 2022.

- We signed an agreement to sell the office component of our project in Kai Tak to CLP Properties Limited, a subsidiary of CLP Holdings Limited, for HK$3.38 billion.

- We completed the disposal of 21 Anderson Road in Singapore for approximately SGD216 million (equivalent to approximately HK$1.24 billion).

- We signed agreements to sell 2 affordable housing projects in the UK for a total of approximately GBP69 million (equivalent to approximately HK$723 million).

- We disposed of a number of non-core assets including some smaller car parks and retail units in Australia, raising AUD66.8 million (equivalent to approximately HK$393 million).

- We replenished our landbank by acquiring the Lam Tei site in Tuen Mun, Hong Kong and entered into joint ventures to acquire a large residential site in Kai Tak runway, as well as a Ho Chung site in Sai Kung, Hong Kong. We also acquired three parcels of land in Manchester as part of the Victoria North development.

- We signed an exclusivity agreement with Capital and Regional PLC, which has a portfolio of shopping malls in greater London, to explore co-development opportunities on or around some of its retail properties.

- We entered into an agreement with R&F Properties (HK) Company Limited through a subsidiary to acquire the entire issue share capital of R&F Properties VS (UK) Co., Ltd. ("VS") for approximately GBP95.7 million (equivalent to approximately HK$977 million). VS owns and is currently developing Vauxhall Square, a large mixed-use development in London with 133,000 sq. m. of gross floor area and planning consent for residential, hotel and hostel, office, retail and leisure space. The transaction was closed on 4 April 2022.

- We have struck a deal with Bonjour Holdings Limited to allow for the early redemption of the convertible bonds amounting to HK$110.5 million and the issuance of new warrants representing approximately 16.31% of Bonjour Holdings' share capital.

Managing Director’s Report

Dorsett Gold Coast, Australia

Hotel Operations and Management

- The early adoption of a new business model by our hotel division in Hong Kong catering to quarantine and close contact stays in a number of our hotel properties has resulted in a strong recovery of our hotel business, especially when compared to our competitors.

- We completed the sale of Dorsett City London, realising profit of approximately GBP56.2 million (equivalent to approximately HK$547 million).

- We opened Dorsett Gold Coast in Australia with 313 rooms on 26 December 2021 and added Dao by Dorsett West London recently and Ritz-Carlton in Melbourne is also expected to open in latter 2022.

Car Park Operations

- Our car park division won many new management contracts and had approximately 120,200 car parking bays owned and under management as at 31 March 2022 versus approximately 114,800 car parking bays as at 31 March 2021.

Gaming Operations

- Upon the re-opening of our properties in the third quarter of 2021, TWC’s gaming revenues are recovered strongly from the last financial year. We completed the rebranding of our operations to “PALASINO” and filed an application for an online gaming license with the authorities in Malta.

Care Park

PALASINO Furth im Wald, Czech Republic

Mortgage Financing Business

- BC Invest, our mortgage lending platform, completed the acquisition of Mortgageport, a well-established mortgage products provider in Australia and entered the market in the United Kingdom. BC Invest also launched Australia’s first green mortgage fund targeting green residential buildings. The business also completed a number of Residential Mortgage-Backed Security offerings, which raised AUD800 million in FY2022.

- As of 31 March 2022, BC Invest had a total loans and advances of over AUD2.6 billion, an increase of 122.8% from 31 March 2021. As at 31 March 2022, including third party assets under management (AUM), BC Invest has a total AUM of approximately AUD3.8 billion.

BC Invest’s Exhibition

Results Highlights

In FY2022, the Group recorded revenues of approximately HK$5.9 billion (FY2021: HK$5.9 billion), a slight reduction of 0.8% given the lower recognition of revenue in the property development segment. Despite that, all our other divisions reported positive growth. Adjusted gross profit, a non-GAAP financial measure, and net profit of the Group were approximately HK$2.3 billion and HK$1,511 million, respectively, which represented an increase of 5.5% and 87.5% compared to the year before.

The results for the year were supported by higher contributions from our recurring income businesses, the disposal of non-core assets and revaluation gains attributable to Hong Kong properties offset by lower contribution from the property development division.

The Group's adjusted cash profit, a non-GAAP financial measure, was approximately HK$1,425 million (FY2021: HK$630 million), demonstrating a resilient cash generation capability of the Group's businesses. To demonstrate the Group's long-term commitment to dividend payout, the Board recommended a final dividend of HK$16 cents per share. Together with an interim dividend of HK$4 cents per share, the total dividend for the year will amount to HK$20 cents per share.

To celebrate the 50th anniversary of our listing on The Stock Exchange of Hong Kong Limited, the Board has recommended a bonus issue of shares on the basis of one bonus share for every ten existing ordinary shares held by the Shareholders to thanks the support from our Shareholders. This is subject to Shareholder's approval at the forthcoming annual general meeting of the Company, and if passed and upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares.

Adjusted net asset value per share, a non-GAAP financial measure, increased by 5.5% to HK$13.81 as a result of profits for the year.

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

Capital Structure and Balance Sheet Management

During the year, in addition to the additional US$150 million 2024 Notes issued, the Group has also completed a number of major loan financings including: a GBP255 million construction loan for Aspen at Consort Place in London, AUD75 million term loan for Ritz-Carlton hotel in Perth and a number of unsecured corporate facilities in an aggregation of approximately HK$1 billion. Post year-end, the HK$5 billion loan for Kai Tak Residential development in which the Group has a 50% interest was refinanced with a lower interest cost.

As at 31 March 2022, the Group's cash and liquidity position amounted to approximately HK$9.9 billion (HK$8.6 billion as at 31 March 2021). In addition, the Group's undrawn banking facilities stood at approximately HK$8.1 billion and the Group continues to hold 5 hotels unencumbered valued at approximately HK$1.7 billion and approximately HK$6.7 billion of various unsold inventory. These could be monetised or used as collateral to raise more funds. Furthermore, the Group continues to review its portfolio of assets and does not exclude the possibility that some assets may be monetised if the consideration is deemed attractive. Our adjusted net gearing ratio, a non-GAAP financial measure, also remained at a relatively low level of 57.9%, measured on the basis of net debts to adjusted total equity.

Post Year-End

In April 2022, BC Invest closed another Australian RMBS, raising AUD416 million from institutional investors globally. The transaction had the novelty to include a number of green tranches issued as part of the BC Invest Green Framework.

In April 2022, the Group completed the acquisition of Vauxhall Square in London. Vauxhall Square is under the planning consent for approximately 133,000 sq. m. gross floor area of mixed-use development comprising residential, hotel and hostel, office, retail and leisure as approved under planning permission and subsequent non-material amendment approvals.

The Star Residences, Gold Coast

CORPORATE GOVERNANCE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group continued to win many new awards in recognition of its corporate governance and environmental, social and governance efforts. During the year, we received the following awards:

- Six awards in "FinanceAsia's 2021 Asia's Best Companies" Poll, including "Asia's Overall Best Managed Company";
- Eight awards at the "HKIRA 7th Investor Relations Awards 2021", including "Best IR Company" and "The ESG Grand Award (Small Cap)";
- Silver Award in the category of "Property Development: Residential" of "Traditional Annual Report" at "The International ARC 2021 Awards";
- Four awards at the "11th Asian Excellence Award 2021", including "Best Environmental Responsibility"; and
- Titanium Award at "The Asset ESG Corporate Awards 2021".

The Group also released a sustainable finance framework and received an aligned opinion from S&P Global Ratings, paving the way for the Group to raise green financings for its projects in the future.

OUTLOOK

The Group is now well-positioned for growth. The last 2 years have been hindered by the outbreak of COVID-19, but there is light at the end of the tunnel. Most parts of the world seem resigned to live with COVID-19 and to return to normal. This should benefit all our operations. Evidently, there are still many risks, known and unknown, but the Group has proven its resilience and will keep pushing ahead.

We have invested in our businesses in the last few years and we hope to reap the fruits of our efforts over the next 24 months. More residential projects is expected to complete and marketing of new projects will start. Another 12 hotel properties will open and Queen's Wharf, Brisbane's gaming operations will start at the end of 2023. In addition, BC Invest is on the right track to double again its assets under management.

The presale of Mount Arcadia in Hong Kong and Queen's Wharf Residences (Tower 5) in Brisbane are off to a very strong start, with presold value of approximately HK$598 million and HK$3.9 billion (attributable GDV of HK$1.9 billion) recorded in April 2022, respectively. Our two recent project acquisitions are very promising: the Kai Tak Residential development in Hong Kong and Vauxhall Square in London. These two transactions are a testament to our ability to source and close attractive transactions for the Group.

We expect to recognise a net gain of RMB302 million after the aggregate of estimated book carrying value of the joint venture company attributable to the Group and the estimated expenses in respect of settlement regarding the transaction with Guangdong Trust Real Estate Development Co., Ltd. and a joint venture company in FY2023.

Dao by Dorsett West London opened in June 2022 and we aim to open the Ritz-Carlton Melbourne in latter 2022 followed by a number of Dorsett-branded hotels in Australia (Melbourne, Perth and Brisbane), London (Consort Place) and Hong Kong (Kai Tak). The next 36 months will see an increase of 2,935 rooms we own and operate at the end of FY2025.

Our car park and facilities management business continues to grow steadily. On the back of the COVID-19 pandemic, a number of municipalities and hospitals, airports and mall operators have reached out for help in managing their car park operations.

Our gaming operations have proven to be very quick to recover. We plan to build on our physical presence with the launch of our online product offering as soon as our license is obtained. The game-changer will be the opening of the casino operations at Queen's Wharf, Brisbane in FY2024. Once fully opened in the following years, we expect a significant ramp up in revenues.

BC Invest has continued to grow at a rapid pace. Loans and advances reached approximately AUD2.6 billion as at 31 March 2022. Including third party AUM, our AUM was at approximately AUD3.8 billion as at 31 March 2022. The establishment of new financing warehouses and credit funds will ensure that more mortgages can be granted to customers. The organic growth remains very strong and more acquisitions could be considered if the fit is right. Medium term, we may consider spinning off BC Invest.

In conclusion, the Group weathered the COVID-19 pandemic reasonably well. The diversification of our operations, our quick response on optimising our options and the strength of our balance sheet allowed us to remain profitable and to continue to invest for the future. Our pipeline of projects has never been stronger, with more than HK$66.6 billion of GDV. Our cumulative presales have never been so high at approximately HK$16.7 billion. All our businesses have proven to be resilient and all are getting ready to operate back to normal again.

We have also upped our focus on ESG with the institution of key internal committees and the establishment of our financing framework. We continue to seek healthy growth whilst keeping a solid and conservative balance sheet and rewarding our shareholders via the consistent payment of dividends and increase in our net asset value.