

# Managing Director's Report



The financial year ended 31 March 2023 proved to be another challenging year for the Group. The impact of the COVID-19 pandemic faded as the year passed, but it continued to impact our businesses, in particular in Hong Kong and China. In addition, new headwinds appeared, primarily higher costs and higher inflation leading to higher interest rates. That contributed to an increase in our cost base but also an increase in our cost of financing.

Despite these challenges, we demonstrated resilience and achieved several noteworthy accomplishments throughout the year.

The following is a summary of our key achievements for the financial year ended 31 March 2023 and business progress update:

## Key Achievements and Business Progress Update

### Property Development

- We largely completed the West Side Place (Towers 3 and 4) development in Melbourne, at the very end of March 2023. This part of the development comprises the Ritz-Carlton hotel and the Dorsett hotel, along with more than 1,500 apartment units and some commercial space. As the city of Melbourne re-opened fully, we have seen an increase of activity and queries. There is significant equity in this project which will be released as settlement progresses.
- We launched Victoria Riverside (Tower A) in Manchester in September 2022, with a total expected GDV of HK\$1,016 million, and Collyhurst Village in Manchester in October 2022, with a total expected GDV of HK\$395 million. Sales were strong in the UK and Singapore, with momentum picking up in Australia. Presales of Dorsett Waterfront Subang, a JV project with a 50% stake, are also progressing well, with a pick-up in sales recorded during the financial year. Hong Kong property sales witnessed some slowdown in the second half, although recent market activity shows signs of picking up again. We expect to launch Kai Tak Residential in Hong Kong, with a total expected attributable GDV of approximately HK\$6.6 billion, in FY2024.

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- Hyll on Holland in Singapore recorded strong sales, and revenue was recognised on a progressive basis in FY2023. We also began the settlement process for Hornsey Town Hall and New Cross Central in the UK during the financial year. However, West Side Place (Towers 3 and 4) experienced some delays and began the handover process in early April 2023. Additionally, we completed and fully settled The Star Residences (Tower 1) on the Gold Coast, a JV project in Australia, which was accounted for as a share of results of JV. Adjusted revenue<sup>(ii)</sup>, a non-GAAP financial measure, was HK\$6.9 billion in FY2023. However, profitability of the property development business was impacted by lower-margin projects in Singapore and affordable housing projects in the UK.



Hyll on Holland, Singapore

- We recorded cumulative presales and unbooked contracted sales of approximately HK\$18.7 billion which provides a good visibility of cashflow stream in the coming years despite a revenue recognition of HK\$3.6 billion in property development business for FY2023.
- We acquired the development right for a piece of land covering a site area of about 1,377 sq. m. at Sai Ying Pun, Hong Kong, through a tender conducted by the URA in September 2022. This development is currently undergoing building plan approval.

### Hotel Operations and Management

- Our hotel operations and management business experienced a revenue boost from quarantine stays in the first half of the financial year; however, revenue was affected when quarantine requirements were cancelled in Hong Kong in December 2022. Nonetheless, the hotel business in Hong Kong has picked up significantly since mid-February 2023, after COVID-19 prevention measures were lifted. The hotel business in Malaysia, Singapore, the UK, and Australia saw strong growth, while Mainland China's business remained weak until strict measures were lifted in January 2023.



Dorsett Melbourne, Australia

- Revenue from our hotel operations and management business recorded 7.4% growth compared to FY2022. However, the profitability of the hotel operations and management business experienced a drop due to a ramp-up period in Hong Kong hotels following the border reopening.
- We opened two new hotel properties during the financial year: Dao by Dorsett West London with 74 rooms in June 2022, and the Ritz-Carlton Melbourne with 257 rooms in March 2023. Dorsett Melbourne with 316 rooms was opened in April 2023, and Dao by Dorsett Hornsey and Dorsett Kai Tak are expected to open in FY2024.

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### Car Park Operations

- Our car park operations and facilities management business underwent some senior management changes and is now well-positioned for growth. Throughout FY2023, we continued to achieve organic growth in our car park business, with revenue of HK\$754 million. Our focus remains on reducing leverage, improving operational efficiency, and enhancing cash flow.



Care Park

### Gaming Operations

- Our gaming business demonstrated strong growth compared with FY2022, which was partly affected by COVID-19 restrictions. Total gaming revenue (net of gaming tax) increased by 28.0% to approximately HK\$296 million, compared with FY2022.
- We are currently exploring opportunities for the spin-off and separate listing of the gaming and hotel businesses owned by TWHE in a capital market deal to unlock its full potential. TWHE owns and operates 3 casinos in the Czech Republic and 5 hotels across Germany, Austria and the Czech Republic. We acquired TWHE in 2018 for US\$42 million. The Stock Exchange has agreed with the potential spin-off and separate listing on the Stock Exchange. For details, please refer to our announcement dated 2 June 2023.
- We completed the subscription by a third party of a 10% stake in Turbo Century Limited, the holding company of TWHE, at a consideration of US\$20 million.
- We obtained an online gaming license in Malta in November 2022 and are currently finalising our launch strategy.



PALASINO Furth im Wald, Czech Republic

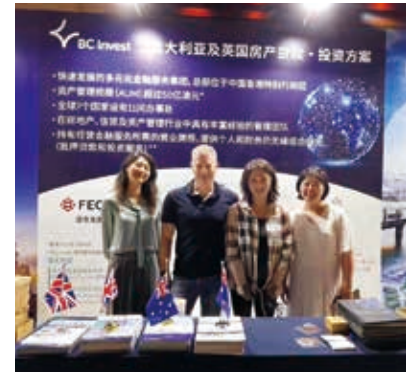
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### Mortgage Financing Business

- Our mortgage lending platform, BC Invest, completed the acquisition of the remaining shares of Mortgageport not held by BC Invest. BC Invest also completed three RMBS offerings, which raised over AUD1.2 billion in FY2023.
- As of 31 March 2023, BC Invest had total loans and advances of over AUD4.3 billion, an increase of 65.3% from 31 March 2022. Including third-party assets under management ("AUM"), BC Invest has a total AUM of approximately AUD5.3 billion.
- Post year end, BC Invest completed another AUD507 million RMBS issue, its seventh issuance since its inception a few years ago.

Note:

- (i) Represents a non-GAAP financial measure which is defined and reconciled to the nearest comparable GAAP measures in the "Non-GAAP financial measures" section below.



BC Invest's Exhibition

### Balance Sheet Management

Given the current interest rate environment, we are taking proactive steps to reduce its debt level and finance costs:

- We started the process of recycling capital by selling some non-core assets and mature car parks assets during the year. Our aim is to reduce our gearing without impacting long-term business performance. We plan to repay borrowings and to recycle some capital and reinvest in projects with higher yields.
- We appointed sales agents to sell some non-Dorsett branded hotels including the Ritz-Carlton hotels in Melbourne and Perth and the Sheraton Grand Mirage Resort on the Gold Coast.
- We completed the monetisation of several car park assets in FY2023 and signed an agreement to sell a car park asset in New Zealand, which was completed after year-end.
- We completed the sale of Vauxhall Square in the UK, recording a gain of GBP10.9 million.
- We realised a gain of RMB408 million in FY2023 with regards to the settlement of certain legal proceedings in Mainland China. For details of the settlement, please refer to our announcements dated 27 July 2021 and 16 August 2021.



The Ritz-Carlton, Melbourne

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- We, through our 50% owned JV, have signed an agreement to sell a piece of land in Pyrmont, Sydney, and 90% of the proceeds were received after year-end. The Group is still awaiting the outcome of an appeal that will determine the final valuation of the piece of land in Pyrmont and may receive more proceeds from the disposal.
- Capital expenditure for a number of large projects has now largely ended with the completion of the West Side Place development and the advance development of Queen's Wharf Brisbane. With the settlement of the West Side Place (Towers 3 and 4) commencing after year-end, the construction facility of the project are being repaid, and our gearing level is expected to reduce. As at 26 June 2023, we completed approximately HK\$1,936 million settlement for West Side Place (Towers 3 and 4).
- We are evaluating options for BC Invest as it continues to grow and requires new capital. An adviser is being appointed, and discussions are ongoing to determine the best course of action.

## Results Highlights

In FY2023, we recorded revenues of HK\$6.3 billion (FY2022: HK\$5.9 billion), an increase of 7.6% due to the uplift of COVID-19 restrictions and return to normal operations. Adjusting for the sales of apartment units from a JV on the Gold Coast, the adjusted revenue<sup>(i)</sup>, a non-GAAP financial measures, was approximately HK\$6.9 billion. All our business divisions reported positive growth in FY2023. Adjusted gross profit<sup>(i)</sup>, a non-GAAP financial measure, and net profit attributable to the Shareholder were HK\$2.0 billion and HK\$172 million, respectively.

Our profitability for the year has been impacted by various factors. One of the primary causes has been revenue recognition for lower-margin property development projects and construction delay due to the COVID-19. In addition, the Hong Kong hotel business has been impacted by the removal of quarantine stay requirements for visitors, further affecting revenue generation. We have also faced higher finance costs due to interest rate rises, further putting pressure on our profitability. Moreover, the drop in the share price of the company's investment in The Star, along with unfavourable exchange rate movements, has also contributed to the decrease of the net asset value of the Group.

During FY2023, our profitability was also impacted by several one-off expenses, including a withholding tax primarily due to the remittance of profits from other regional operations, mostly in Mainland China. Additionally, pre-opening expenses were incurred for three hotels across Australia and the UK. However, it is worth noting that these expenses are one-off, and pre-opening expenses are expected to decrease next year based on the hotel pipeline.

Our adjusted cash profit<sup>(i)</sup>, a non-GAAP financial measure, was HK\$576 million. The Board recommended a final dividend of HK10 cents per share. Together with an interim dividend of HK4.0 cents per share, the total dividend for the year will amount to HK14 cents per share.

Adjusted net asset value per share<sup>(i)</sup>, a non-GAAP financial measure, decreased by 15.5% to HK\$11.67 as a result of unfavourable currency movements and the drop in the share price of The Star.

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

Note:

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### Capital Structure

During the year, we were active in capital structure management. We repurchased an aggregate principal amount of USD16.4 million of 4.5% notes due 2023 and 5.1% notes due 2024. The Group has also completed a number of major loan financings including (i) a number of secured and unsecured loan financings including a HK\$496 million facility for the acquisition of development right, via an URA tender, of a piece of land in Sai Ying Pun, Hong Kong; and (ii) fully settled the bank loan facilities of West Side Place (Towers 1 and 2) and MeadowSide development in the amounts of AUD110 million and GBP58 million, respectively, upon the completion of the developments.

As at 31 March 2023, our cash and liquidity position amounted to approximately HK\$6.5 billion (as at 31 March 2022: HK\$9.9 billion). In addition, our undrawn banking facilities stood at approximately HK\$7 billion and we continue to hold 5 hotels with an unencumbered valued at approximately HK\$1.2 billion and approximately HK\$5.5 billion of various unsold inventory. These could be monetised or used as collateral to raise more funds. Furthermore, we will continue to review our portfolio of non-core assets and may monetise some assets if the consideration is attractive. Our adjusted net gearing ratio<sup>(i)</sup> for FY2023, a non-GAAP financial measure, measured on the basis of net debts to adjusted total equity, was 73.8%.

Note:

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### Post Year-End

In April 2023, BC Invest issued its seventh RMBS offering, raising AUD507 million which was backed by first mortgage loans to Australian resident borrowers, including self-managed super fund prime borrowers.

In May 2023, we repaid US\$131.8 million of our 4.5% USD Medium Term Notes 2023.

As part of our initiative to monetise certain mature and non-core assets, we have (i) completed the sale of a car park in New Zealand for a consideration of NZD9.0 million; (ii) signed an agreement to sell the remaining inventory of Dorsett Bukit Bintang for a consideration of approximately MYR121 million; and (iii) announced the potential spin-off of the gaming and hotel businesses owned by TWHE, for details, please refer to our announcement dated 2 June 2023.

In April 2023, we completed the development of West Side Place (Towers 3 and 4) and started the handover and settlement process. As at 26 June 2023, settlements have reached approximately AUD368 million (equivalent to approximately HK\$1,936 million). We expect settlements to continue strongly which will significantly reduce our debt level and gearing.

In June 2023, the Group, through its 25% owned JV, signed an agreement to sell Sheraton Grand Mirage Resort on the Gold Coast, Australia for AUD192 million.

In June 2023, we executed settlement deeds with, amongst others, Mr. Robert Belteky and his associates ("Belteky Parties") in connection with a dispute. Pursuant to the settlement deeds, amongst others, approximately 14% of the shares in issue in Care Park Group Pty. Ltd. ("CPG") held by one of the Belteky Parties will be transferred to the other shareholders of CPG, which will result in our effective interest in CPG increasing from 77.75% to 90.41%. For details, please refer to our announcement dated 26 June 2023.

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The Star Residences, Gold Coast

### Corporate Governance and Environmental, Social and Governance

We have established a ESG Steering Committee, acting as a facilitator of ESG initiatives execution, and responsible for implementing ESG policies, evaluating and disclosing ESG performance and stakeholder engagement.

In addition, we believe 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 level of transparency to our investors. In recognition of our efforts in investor relations functions, corporate governance and corporate social responsibility, we received a number of international awards during the year.

Examples of awards include:

- Two awards at "FinanceAsia's Best Companies Poll 2022", including "Best CEO in Hong Kong" and "Best Small Cap Company in Hong Kong";
- Three awards at "HKIRA 2022 8th Investor Relations Awards", including "Best IR Company", "Best Investor Meeting" and "Best Annual Report";
- Five awards at "Questar Awards 2022", including "Gold award on Interactive Annual Report: Overall Presentation – Asia Pacific" and "Bronze award on Corporations: Sustainability/Corporate Responsibility";
- Bronze Award in the category of "Property Development: Various & Multi Use – Traditional Annual Report" at "The 2022 International ARC Awards";
- "Best Use of Multimedia for IR (Small to Mid-cap)" at "IR Magazine Awards – Greater China 2022";
- Three awards at "iNOVA Awards 2022", including "Gold award on Corporate Websites: Corporate Image", "Silver award on Online Annual Reports: Real Estate" and "Bronze award on Investor/Shareholder Relations";
- Gold ESG Corporate Governance Award at "Pacific Basin Economic Council" – Environment Social & Governance Awards 2022-2023; and
- Three awards at "12th Asian Excellence Award 2022", including "Asia's Best CEO: Mr. David Chiu, Chairman and Chief Executive Officer"; "Asia's Best CFO: Mr. Boswell Cheung, Chief Financial Officer and Company Secretary"; and "Best Investor Relations Company".



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### Prospects

The year 2023/2024 is expected to be dominated by a number of macro challenges although the world is moving on from the shadows of the COVID-19 era. Several regions have lifted quarantine requirements, and the borders between Mainland China and Hong Kong have fully reopened. These are key catalysts for business growth across different segments.

Over the past few years, we have made strategic investments in our businesses, which we anticipate will yield significant benefits over the next two years. We expect to reap benefits as we complete ongoing projects and launch new ones as we increase our focus on residential projects. Furthermore, we are set to open 8 upcoming hotel properties in the near future. Ritz-Carlton Melbourne and Dorsett Melbourne will have full-year contributions in FY2024. The Star's gaming operations at Queen's Wharf in Brisbane is scheduled to commence in 2024. In addition, we are working very hard to assist BC Invest in doubling its AUM over the next few years.

A number of significant projects are reaching the completion and settlement stage. These include West Side Place (Towers 3 and 4) in Melbourne, Hyll on Holland in Singapore, The Star Residences (Tower 2) – Epsilon on the Gold Coast and Queen's Wharf Brisbane (Tower 4) in Brisbane. This provides a clear visibility of cash flow.

The hotel industry continues to recover and 8 upcoming hotels are expected to open in the next 24 to 36 months offering 1,985 rooms. Dao by Dorsett West London opened in June 2022 and Ritz-Carlton Melbourne opened in March 2023 followed by Dorsett Melbourne which was launched in April 2023. These newly operating hotels are expected to generate a full-year contribution in FY2024.

Our car park and facilities management and gaming businesses have shown remarkable resilience through the challenges of the past year and have continued to recover and grow steadily.

The completion of the first phase of Queen's Wharf Brisbane, including the gaming portion of the development, represents a significant milestone for the Group. This ambitious development project is expected to be a game-changer, with world-class amenities that appeal to a wide range of customers. Upon opening and being in operation, it is expected to contribute to our performance.

With the new initiative to spin-off and separately list the gaming and hotel businesses owned by TWHE, we expect to enhance our liquidity and financial performance. By doing a separate listing, TWHE can embark on a new growth path and we will be able to realise profits from our earlier investment in TWHE and unlock the potential value of the business to Shareholders.

Although there are macro challenges, we are optimistic about the potential for a good harvesting year in FY2024. This positive outlook is due to a number of factors, including our continued investment in strategic initiatives and the gradual recovery of the global economy.

In conclusion, we are emerging from a period of challenging conditions primarily due to COVID-19. We have a number of significant projects coming to fruition now and are expected to progressively generate additional revenues. With the combination of upcoming large projects settlements and new hotels opening, the future is exciting. The focus remains on driving growth in our core segments whilst continually assessing our existing assets to identify capital recycling opportunities. We intend to stay cautious and disciplined, yet always stay on the look-out for attractive investment opportunities.