

Joint Managing Directors' Report

We extend our heartfelt gratitude to our dedicated team for their unwavering support and confidence during our inaugural year as Joint Managing Directors. It was a challenging year, with substantial market volatility, rising interest rates and escalating financial costs driven by increased loan obligation as construction of many of our projects are approaching completion. Despite these challenges, our team's commitment has been pivotal in driving our business towards success and achieving new revenue milestones. We have also been focusing on optimising our portfolio strategically through sales of non-core asset.

Our team's resilience has led to remarkable achievements. In this report, we highlight key milestones and provide a comprehensive update on our business progress during the financial year ended 31 March 2024.

Key Achievements and Business Progress Update

Hotel Operations and Management

- Our hotel operations and management business saw significant growth across Hong Kong, Mainland China, the UK, Singapore, Australia and Malaysia. The relaxation of pandemic-related measures, coupled with the easing of travel restrictions and the introduction of government initiatives to stimulate the tourism industry, have fuelled a robust recovery in the performance of our hotel assets in every market we operate in.



- Revenue from our hotel operations and management business increased by 31.2% year-on-year to approximately HK\$2,031 million as compared with FY2023, while the adjusted gross profit rose by 16.9% to approximately HK\$918 million. However, despite the impressive revenue growth, global inflationary pressures plus the initial ramp-up phase of our new hotels driven the adjusted gross profit margin down modestly from 50.8% in FY2023 to 45.2% in FY2024.
- The 257-room Ritz-Carlton Melbourne opened in March 2023, our second Ritz-Carlton hotel after the successful opening and operation of Ritz-Carlton Perth in Australia in November 2019. Dorsett Melbourne with 316 guest rooms opened in April 2023, which is our second Dorsett-branded hotel in Australia, after the successful opening and profitable operation of Dorsett Gold Coast hotel in December 2021.

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*Joint Managing Director and
Executive Director*

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- We are expected to inaugurate Dorsett Kai Tak in Hong Kong, our 10th owned hotel in Hong Kong, and Dao by Dorsett North London, and Dorsett Alpha Square Canary Wharf in London in FY2025, which will add a further 672 rooms to our portfolio.
- With the global travel industry rebounding, it is expected that these new hotel properties will greatly boost the growth and profitability of the Group's recurring income businesses. Given the rising demand for travel and hospitality services, the Group is well-positioned to leverage these opportunities by expanding its hotel management platform to manage for third party owners and further fortify its presence in key markets.

Property Development

- In FY2024, we recorded a substantial revenue of approximately HK\$6.8 billion from property development, marking a significant increase of 91.6% as compared with FY2023. Gross profit margin increased from 19.0% in FY2023 to 25.5% in FY2024. As at 31 March 2024, the expected attributable GDV of the Group's active residential property development projects under various stages of completion across the regions was approximately HK\$65.2 billion; and our cumulative presales and unbooked contracted sales have reached approximately HK\$11.5 billion, setting a solid foundation for cash flow and revenue in the forthcoming years.
- The handover process for West Side Place (Towers 3 and 4) in Melbourne commenced in early April 2023 and is progressing commendably. Hyll on Holland in Singapore reported robust sales, with revenue being progressively recognised throughout FY2024. Additionally, we saw valuable contributions from Mount Arcadia in Hong Kong and Hornsey Town Hall in London. Moreover, we are steadfast in effectively executing our sales strategy and diligently managing our existing inventory.
- We successfully completed the disposal of the office component of the Kai Tak development in March 2024, for a total consideration of HK\$3.38 billion.



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- We launched Red Bank Riverside – Falcon as part of the Victoria North development in Manchester, UK in March 2024 with a total expected GDV of HK\$635 million. As at 26 June 2024, approximately 50% has been presold. We expect to launch The Pavilia Forest in Kai Tak, Hong Kong which consists of 1,305 units soon, and luxury apartment 640 Bourke Street in Melbourne, Australia in FY2025.
- Several ongoing projects with a total expected attributable GDV of approximately HK\$9.3 billion are reaching the completion stage, particularly Hyll on Holland in Singapore, Queen's Wharf Residences (Tower 4) in Brisbane, Perth Hub in Perth, Aspen at Consort Place in London, and Victoria Riverside in Manchester. A visible cash flow is set to contribute to debt reduction.
- Aspen at Consort Place in London has initiated the handover process in May 2024. Concurrently, Hyll on Holland in Singapore has initiated the handover process in June 2024.
- We have maintained a cautious approach to replenishing our residential pipeline. We have been selected as the preferred bidder for a GBP300 million mixed-use project in Trafford, Greater Manchester. In addition, we have secured planning approval for 4,800 new residences in collaboration with the MCC for the upcoming phase of the Victoria North development.

Car Park Operations

- In alignment with our strategic objectives, we have selectively phased out underperforming car parks from our portfolio and have successfully divested a car park in New Zealand. Also, we have actively sought and secured new management contracts to strengthen our position in the market. As at 31 March 2024, we have a portfolio of 416 owned or managed car parks with approximately 124,000 bays. The total revenue from car park operations and facilities management saw a slight decrease of 3.0% to approximately HK\$732 million as compared with FY2023 due to the unfavourable exchange rates. The fundamental business saw a steady improvement in revenue.

Gaming Operations

- Our gaming operations under Palasino Group has achieved a significant milestone by being spun-off and separately listed on the Main Board of the Stock Exchange on 26 March 2024. This event marks a pivotal moment in our corporate history.
- The total gaming revenue recorded a slight increase of 3.1% to HK\$402 million compared to FY2023, indicating a path of growth and adaptability.
- The Palasino Group reinstated its online gaming license in Malta in November 2023 and is preparing for a soft launch of services in Malta during FY2025. Additionally, it has established a new wholly-owned subsidiary dedicated to the business-to-business online gaming sector.

Mortgage Financing Business

- BC Invest successfully issued three RMBS offerings in FY2024, collectively raising over AUD 1.5 billion, underlining our proficiency in structured finance operations.
- As at 31 March 2024, BC Invest has effectively managed a total AUM of approximately AUD 5.4 billion. This demonstrates our strong stewardship and our commitment to maintaining prudent investment management practices.

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Balance Sheet and Management

- We are taking proactive measures to reduce our debt levels and finance costs. We have completed the disposal of the office component of the Kai Tak development in Hong Kong in March 2024 for a consideration of HK\$3.38 billion, and divested non-core assets such as the 25% stake in Sheraton Grand Mirage Resort on the Gold Coast, Australia, the remaining units of Dorsett Bukit Bintang in Malaysia and a car park in New Zealand, with proceeds in aggregate of approximately HK\$1.2 billion.
- Several landmark projects are reaching completion and are expected to be handed over in FY2025. These include Hyll on Holland in Singapore, Aspen at Consort Place in London, Victoria Riverside in Manchester, Perth Hub in Perth, and Queen's Wharf Residences (Tower 4) in Brisbane.
- We consider to dispose of long-lease residential project in Baoshan, Shanghai. This includes one parcel for a raw land sale and another parcel that is currently under development. Currently, we are in close negotiation with a potential buyer.

Results Highlights

The Group recorded a 57.5% increase in revenue to approximately HK\$10.2 billion compared to FY2023. Adjusted gross profit⁽ⁱ⁾, a non-GAAP financial measure, rose to HK\$3.2 billion as compared with HK\$2.0 billion in FY2023. The net profit attributable to shareholders increased by 31.3% year-on-year to approximately HK\$226 million, while the adjusted cash profit⁽ⁱ⁾, a non-GAAP financial measure, increased by 35.5% to approximately HK\$780 million.

Although we achieved a record level of revenue for the year, our profitability for FY2024 was influenced by several factors. A significant impact was due to higher finance costs, a consequence of rising interest rates, and increased selling and marketing expenses as we intensified marketing efforts across various projects and raised sales commission expenses. Additionally, unfavourable exchange rate movements also contributed to a reduction in the Group's net asset value.

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.

The adjusted net asset value per share⁽ⁱ⁾, a non-GAAP financial measure, decreased by 7.7% to HK\$10.77, primarily due to unfavourable currency movements.

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

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.

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Capital Structure

Throughout the year, we maintained a prudent and cautious approach to our capital structure. We redeemed an aggregate outstanding principal amount of USD1,682.3 million consisting of 4.5% notes due in 2023 and 5.1% notes due in 2024. Additionally, we settled several bank borrowings following the completion and handover of West Side Place (Towers 3 and 4) in Melbourne and the disposal of the office component of the Kai Tak development in Hong Kong.

As at 31 March 2024, our cash and liquidity position amounted to approximately HK\$4.9 billion (as at 31 March 2023: HK\$6.5 billion). Moreover, our undrawn banking facilities stood at approximately HK\$5.1 billion, and we continue to hold 4 unencumbered hotels valued at approximately HK\$536 million, along with approximately HK\$6.1 billion in various unsold inventory. These assets could be monetised or used as collateral to raise additional funds. Furthermore, we persistently review our portfolio of non-core assets and remain open to the possibility of monetising certain assets should the terms be considered favorable.

The adjusted net gearing ratio⁽ⁱ⁾, a non-GAAP financial measure, stood at 68.1% as at 31 March 2024. Including the equity of Palasino Group attributable to our Group, in which we hold a 73.21% stake as at 31 March 2024, with an unrealised value of our stake in Palasino of approximately HK\$2.7 billion, the Group's proforma adjusted net gearing ratio⁽ⁱ⁾, also a non-GAAP financial measure, was calculated to be 63.0%.

Note:

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Post Year-End

In April 2024, the Group's stake in Palasino Group decreased from 73.21% to 72.07% following the partial exercise of the over-allotment option from the initial public offering.

In May 2024, the Group entered into an agreement to dispose of a car park in the UK with consideration of approximately GBP 17.24 million. For details, please refer to the Group's announcement dated 14 May 2024.

Aspen at Consort Place in London has initiated the handover process in May 2024 while Hyll on Holland in Singapore has initiated the handover process in June 2024.

In June 2024, BC Invest issued its tenth RMBS offering, raising AUD530 million which was supported by a range of international and Australian institutions and credit funds. This RMBS is backed by first mortgage loans to Australian resident and non-resident prime borrowers, secured by Australian residential properties.



The view from Aspen at Consort Place, London

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Corporate Governance and Environmental, Social and Governance

We acknowledge the critical importance of proactive engagement in sustainable practices and the transformation of climate change initiatives into viable business opportunities. To bolster its commitment to climate-related financial disclosures, the Group has enlisted the services of a professional entity, proficient in the TCFD framework, and aspires to generate enduring impacts while encouraging others to embark on the path to a more sustainable and robust future.

We have continued to dedicate significant efforts and resources towards advancing our ESG priorities and objectives. Maintaining a strong focus on sustainable and responsible business practices remains a key strategic imperative for our organisation. During the financial year, we have received multiple awards recognising our exceptional performance in the realm of ESG initiatives.

Furthermore, we maintain that exemplary corporate governance is indispensable for fostering sustainable development. We engage in proactive investor communication and uphold a high degree of transparency with our stakeholders. Our dedication to investor relations, corporate governance, and corporate social responsibility has been acknowledged with several international distinctions over the course of the year including:

- "Elite Award on Community Caring Awards of Organisation Sub-category" from the "Hong Kong Institute of Human Resource Management (HKIHRM) Excellence Awards 2023/24";
- Three awards from the "Best HR Awards by CTgoodjobs", including "Gold Prize on Best Change Leadership Strategy", "Gold Prize on Best ESG Award" and "Gold Prize on Best Corporate Social Responsibility Award";
- "Award of Excellence ESG" from the "The Hong Kong Corporate Governance and ESG Excellence Awards";
- Five awards from the "FinanceAsia's Best Companies Poll 2023", including "Best CEO in Hong Kong", "Best Real Estate Company in Hong Kong" and "Best Small Cap Company in Hong Kong";
- Three awards from the "HKIRA 2023 9th Investor Relations Awards", including "Best IR Company", "Best Investor Meeting" and "Best Annual Report";
- Three awards from the "iNova Awards 2023", including "Gold award on Investor/Shareholder Relations", "Silver award on ESG Reports" and "Bronze award on Corporate Websites: Communication";
- Three awards from the "The 1st CRECCHKI Real Estate ESG Awards GBA 2023", including "Outstanding Performance – Green Design", "Outstanding Performance – Green Finance" and "Outstanding Performance – Green Finance – Chairman's Pick of Excellence";
- Titanium Award from the "The Asset ESG Corporate Awards 2023";
- Outstanding Award for Green and Sustainable Loan Issuer (Real Estate Industry) – Visionary Sustainability-linked Loan Performance Metrics from the "HKQAA Hong Kong Green and Sustainable Finance Awards 2023"; and
- Three awards from the "13th Asian Excellence Award 2023", including "Asia's Best CEO: Tan Sri Dato' 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

In the current global economic climate, the Group has maintained a prudent and cautious approach while steadfastly committing to the planning, development, and construction of our residential and hotel projects, as well as the strategic refinement of our portfolio.

Over the years, we have strategically expanded our asset portfolio across various regions to diversify our presence, which has yielded fruitful outcomes and satisfactory revenue streams. The persistent demand for the residential properties we develop on a global scale is a testament to the ongoing population growth and our robust regional teams' deep understanding of legal frameworks and jurisdictions, positioning us favourably to capitalise on this expansion.

As at 31 March 2024, the Group's cumulative attributable presales and unbooked contracted sales amounted to HK\$11.5 billion, with projects progressing as planned. In the forthcoming months, we anticipate the completion and initiation of several landmark projects, which are expected to contribute significantly to our revenue and cash flows.

The initial phase of Queen's Wharf Brisbane is slated to commence operations in second half of FY2025, with The Star's gaming operations under this project scheduled to begin concurrently, which is anticipated to yield a positive impact on the Group's financials.

Looking forward to FY2025, we aim to launch several projects, including The Pavilia Forest in Kai Tak, Hong Kong, and 640 Bourke Street in Melbourne, Australia. These projects will enhance our portfolio significantly. Moreover, we are actively collaborating with local authorities on the next phase of the Victoria North Masterplan and the GBP300 million mixed-use development project in Trafford, Greater Manchester.

In the first half of FY2024, both the Ritz-Carlton Melbourne and Dorsett Melbourne in Melbourne, Australia were in their ramp-up phases, with substantial improved performance in the second half of the FY2024 and we expect a full contribution to the Group's earnings in FY2025. As at 31 March 2024, we have 8 hotels under construction, and within the next 24 months, we anticipate the addition of 2,000 hotel rooms to our portfolio. Our flagship 373-room hotel, Dorsett Kai Tak, Hong Kong in Hong Kong, is poised to open in the coming months. Furthermore, Dorsett Alpha Square Canary Wharf and Dao by Dorsett North London in London, the UK are scheduled to open their doors in FY2025.

Our car park and facilities management business has demonstrated remarkable resilience amidst the challenges of the past year. We remain committed to our strategy of divesting or phasing out underperforming or matured assets while securing management contracts to transition towards an asset-light model and reduced leverage.

The successful spin-off of our gaming operations under Palasino Group is expected to embark on a new trajectory of growth in the future. The Palasino Group is poised to attract a broader customer base. It has entered into an MOU with a strategic partner to explore additional operating prospects in May 2024 and reinstated its online gaming license in Malta with the impending soft launch of our online services in FY2025. The forthcoming opening of Queen's Wharf Brisbane in late 2024 is expected to be another robust source of cash flow.

Despite macroeconomic challenges, we hold an optimistic outlook for FY2025, which we anticipate will be another fruitful year. This optimism is anchored in our ongoing investment in strategic initiatives and the gradual resurgence of the global economy.

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27 June 2024