# FAR EAST CONSORTIUM INTERNATIONAL LIMITED

**遠東發展有限公司***

*(Incorporated in the Cayman Islands with limited liability)*

*Website: http://www.fecil.com.hk*

**(Stock Code: 35)**

## ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

### INTERIM RESULTS HIGHLIGHTS

- Net profit attributable to shareholders of the Company grew year-on-year by 51.6% to HK$1,033 million, primarily due to a higher margin on the property projects completed during the period, a strong recovery of the Group's hotel business, a steadily expanding car park portfolio, as well as a gain on sale of one of the non-core hotels of the Group.
- Adjusted cash profit[(i)] reached HK$1,071 million, a year-on-year increase of 72.6% from HK$620 million.
- Presale of residential properties remained robust with cumulative presales value of properties under development amounting to approximately HK$13.0 billion (HK$10.7 billion as at 31 March 2017) following the successful launch of (i) Artra in Singapore; (ii) Marin Point in Hong Kong; (iii) West Side Place Tower 4 in Melbourne; and (iv) The Star Residences in Gold Coast. The Group's residential development pipeline grew to HK$45.3 billion in projected gross development value as at 30 September 2017.
- Bank and cash balances and investment securities of the Group increased to approximately HK$5.9 billion as at 30 September 2017 (HK$5.6 billion as at 31 March 2017).
- Net gearing ratio[(ii)] fell slightly to 30.8% as at 30 September 2017 from 31.5% as at 31 March 2017.
- Earnings per share increased by 43.8% to HK$0.46 during the period.
- Interim dividend for 1H FY2018 increased to HK4.0 cents per share (1H FY2017: HK3.5 cents per share).
- Net assets attributable to shareholders as at 30 September 2017 amounted to approximately HK$11.07 per share, adjusted for hotel revaluation surplus[(iii)].

* *For identification purposes only*

*Notes:*

(i) Adjusted cash profit is calculated by adding depreciation and amortisation charges to, and subtracting fair value gain in investment properties from, net profit attributable to shareholders. The amounts are adjusted for minority interests.

(ii) Net gearing ratio represents total bank loans, notes and bonds less investment securities, bank and cash balances divided by carrying amount of total equity and hotel revaluation surplus.

(iii) Revaluation surplus on hotel assets of approximately HK$13,011 million was based on independent valuation carried out as at 31 March 2017 and was not recognized in the Company's consolidated financial statements, but was adjusted for the calculations of net asset value per share and the net gearing ratio.

## INTERIM RESULTS

The board of directors (the "Board") of Far East Consortium International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2017 ("1H FY2018"). These unaudited consolidated financial statements have been reviewed by the Company's audit committee (the "Audit Committee") prior to recommending them to the Board for approval.

## INTERIM DIVIDEND

The Board has declared the payment of an interim dividend for the six months ended 30 September 2017 of HK4.0 cents (30 September 2016: HK3.5 cents) per ordinary share (the "Interim Dividend"). The Interim Dividend will be paid to the shareholders of the Company (the "Shareholders") whose names appear on the Company's Register of Members on 28 December 2017. The Interim Dividend will be paid in the form of a scrip dividend with Shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of, and permission to deal in the new shares to be allotted and issued thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the 5 consecutive trading days prior to and including 28 December 2017. Full details of the Scrip Dividend Scheme will be set out in a circular which is expected to be sent to Shareholders together with a form of election (if applicable) on or around 9 January 2018. Dividend warrants and/or new share certificates will be posted on or around 8 February 2018.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 20 December 2017 to Thursday, 28 December 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Interim Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 December 2017.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017*

| | | Six months ended | |
|---|---|---|---|
| | | **30.9.2017** | 30.9.2016 |
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | | **2,775,986** | 2,952,607 |
| Cost of sales and services | | **(1,209,680)** | (1,696,600) |
| Depreciation and amortisation of hotel and car park assets | | **(161,002)** | (147,442) |
| Gross profit | | **1,405,304** | 1,108,565 |
| Other income | | **12,417** | 6,590 |
| Other gains and losses | *5* | **486,374** | 235,019 |
| Administrative expenses | | | |
| – Hotel operations and management | | **(186,121)** | (174,983) |
| – Others | | **(123,902)** | (132,309) |
| Pre-opening expenses | | | |
| – Hotel operations and management | | **(6,452)** | (2,592) |
| Selling and marketing expenses | | **(86,034)** | (16,113) |
| Share of results of associates | | **(1,262)** | 3,935 |
| Share of results of joint ventures | | **(791)** | (1,452) |
| Finance costs | *6* | **(146,821)** | (105,483) |
| Profit before tax | | **1,352,712** | 921,177 |
| Income tax expense | *7* | **(306,234)** | (233,000) |
| Profit for the period | *8* | **1,046,478** | 688,177 |
| Attributable to: | | | |
| Shareholders of the Company | | **1,032,795** | 681,427 |
| Non-controlling interests | | **13,683** | 6,750 |
| | | **1,046,478** | 688,177 |
| Earnings per share | *9* | | |
| – Basic *(HK cents)* | | **46.0** | 32.0 |
| – Diluted *(HK cents)* | | **46.0** | 32.0 |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017*

| | Six months ended | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Profit for the period | **1,046,478** | 688,177 |
| Other comprehensive income (expense) for the period | | |
| *Items that may be subsequently reclassified to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations | **336,556** | (231,632) |
| Fair value adjustment on cross currency swap contracts designated as cash flows hedge | **43,522** | (16,059) |
| Other comprehensive income (expense) for the period | **380,078** | (247,691) |
| Total comprehensive income for the period | **1,426,556** | 440,486 |
| Total comprehensive income attributable to: | | |
| Shareholders of the Company | **1,404,791** | 426,950 |
| Non-controlling interests | **21,765** | 13,536 |
| | **1,426,556** | 440,486 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AT 30 SEPTEMBER 2017*

| | *NOTES* | **30.9.2017** *HK$'000* **(unaudited)** | 31.3.2017 *HK$'000* (audited) |
|---|---|---|---|
| **Non-current Assets** | | | |
| Investment properties | | **3,199,679** | 3,001,786 |
| Property, plant and equipment | | **7,616,289** | 7,481,570 |
| Prepaid lease payments | | **498,405** | 486,491 |
| Goodwill | | **68,400** | 68,400 |
| Interests in associates | | **771,990** | 667,416 |
| Interests in joint ventures | | **383,505** | 353,742 |
| Investment securities | | **2,873** | 692 |
| Deposits for acquisition of property, plant and equipment | | **122,174** | 117,601 |
| Amounts due from associates | | **66,831** | 70,724 |
| Amount due from a joint venture | | **25,372** | 25,372 |
| Amount due from an investee company | | **119,995** | 119,995 |
| Other receivables | | **81,325** | 79,936 |
| Pledged deposits | | **3,968** | 3,723 |
| Deferred tax assets | | **30,155** | 31,233 |
| | | **12,990,961** | 12,508,681 |
| **Current Assets** | | | |
| Properties for sale | | | |
| Completed properties | | **517,781** | 280,341 |
| Properties for/under development | | **9,464,968** | 8,889,843 |
| Other inventories | | **8,372** | 8,137 |
| Prepaid lease payments | | **14,935** | 14,466 |
| Debtors, deposits and prepayments | *11* | **375,909** | 375,190 |
| Deposits receivable from stakeholders | | **476,195** | 252,109 |
| Other receivables | | **12,163** | 11,688 |
| Loan to a joint venture | | **92,948** | 77,313 |
| Amounts due from joint ventures | | **52,415** | 51,204 |
| Amount due from an associate | | **30,078** | 32,748 |
| Tax recoverable | | **220,064** | 136,267 |
| Investment securities | | **2,075,193** | 1,466,188 |
| Derivative financial instruments | | **2,350** | 67 |
| Pledged deposits | | **10,068** | 25,234 |
| Restricted bank deposits | | **4,554** | 267,983 |
| Deposit in a financial institution | | **11,768** | 11,331 |
| Bank balances and cash | | **3,819,915** | 3,881,894 |
| | | **17,189,676** | 15,782,003 |
| Assets classified as held for sale | | **–** | 109,277 |
| | | **17,189,676** | 15,891,280 |

| | NOTES | 30.9.2017 HK$'000 (unaudited) | 31.3.2017 HK$'000 (audited) |
|---|---|---|---|
| **Current Liabilities** | | | |
| Creditors and accruals | 12 | **1,011,425** | 889,406 |
| Customers' deposits received | | **1,926,410** | 2,109,874 |
| Obligations under finance leases | | **10,990** | 3,775 |
| Amount due to a related company | | **17,559** | 16,815 |
| Amounts due to associates | | **10,119** | 7,186 |
| Amounts due to shareholders of non-wholly owned subsidiaries | | **7,502** | 26,907 |
| Derivative financial instruments | | **3,602** | 9,176 |
| Dividend payable | | **337,398** | – |
| Notes and bonds | | **946,795** | – |
| Tax payable | | **399,058** | 358,917 |
| Bank borrowings | | **4,364,468** | 2,755,293 |
| | | **9,035,326** | 6,177,349 |
| **Liabilities associated with assets classified as held for sale** | | **–** | 3,600 |
| | | **9,035,326** | 6,180,949 |
| **Net Current Assets** | | **8,154,350** | 9,710,331 |
| **Total Assets less Current Liabilities** | | **21,145,311** | 22,219,012 |
| **Non-current Liabilities** | | | |
| Obligations under finance leases | | **6,001** | 7,594 |
| Amount due to a shareholder of a non-wholly owned subsidiary | | **257,366** | 246,740 |
| Derivative financial instruments | | **75,797** | 119,314 |
| Notes and bonds | | **2,231,171** | 3,130,542 |
| Bank borrowings | | **6,083,503** | 7,376,392 |
| Deferred tax liabilities | | **430,677** | 394,715 |
| | | **9,084,515** | 11,275,297 |
| **Net Assets** | | **12,060,796** | 10,943,715 |
| **Capital and Reserves** | | | |
| Share capital | | **224,932** | 223,837 |
| Share premium | | **4,084,368** | 4,033,779 |
| Reserves | | **7,577,818** | 6,534,186 |
| Equity attributable to shareholders of the Company | | **11,887,118** | 10,791,802 |
| Non-controlling interests | | **173,678** | 151,913 |
| **Total Equity** | | **12,060,796** | 10,943,715 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017*

### 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

**Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")**

The Group has applied for the first time in the current interim period, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 | As part of Annual Improvements to HKFRS 2014 – 2016 Cycle |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 4. SEGMENT INFORMATION

**Segment revenue and profit**

The Group determines its operating segments based on internal reporting about components that are regularly reviewed by the chief operating decision makers. Information reported to the Group's chief operating decision makers, who are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is mainly focused on the property development, property investment, operations of Dorsett Hospitality International Limited ("Dorsett") and its subsidiaries (including hotel operations and management and property investment), and car park operations and facilities management in each of the geographical locations as stated below, securities and financial product investments and other operations, which mainly include provision of engineering services and second mortgage loans.

The following is an analysis of the Group's revenue and results by reportable and operating segment. Segment profit (loss) represents the pre-tax profit (loss) earned (incurred) by each segment without allocation of central administrative costs, directors' salaries and finance costs.

| | **Segment revenue Six months ended** | | **Segment profit (loss) Six months ended** | |
|---|---|---|---|---|
| | **30.9.2017** | 30.9.2016 | **30.9.2017** | 30.9.2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Property development | | | | |
| – Australia | **378,578** | 1,482,370 | **118,409** | 462,170 |
| – Hong Kong ("HK") | **–** | – | **(17,484)** | (8,595) |
| – Malaysia | **361,063** | – | **178,103** | 2,224 |
| – Other regions in the People's Republic of China excluding HK ("PRC") | **914,893** | 475,498 | **627,774** | 300,677 |
| – Singapore | **–** | – | **(21,201)** | (4,096) |
| | **1,654,534** | 1,957,868 | **885,601** | 752,380 |
| Property investment | | | | |
| – Australia | **2,579** | 2,371 | **1,412** | 1,431 |
| – HK | **21,297** | 17,775 | **151,343** | 158,553 |
| – PRC | **6,766** | 5,816 | **(13,423)** | (12,198) |
| – United Kingdom ("UK") | **992** | – | **(1,208)** | (678) |
| | **31,634** | 25,962 | **138,124** | 147,108 |
| Operations of Dorsett and its subsidiaries | | | | |
| – HK | **340,689** | 286,987 | **334,285** | 57,343 |
| – Malaysia | **111,729** | 108,071 | **15,646** | 11,147 |
| – PRC | **123,469** | 108,099 | **2,686** | (10,005) |
| – Singapore | **46,628** | 48,883 | **8,951** | 9,859 |
| – UK | **72,800** | 64,368 | **8,912** | 7,567 |
| | **695,315** | 616,408 | **370,480** | 75,911 |

| | Segment revenue | | Segment profit (loss) | |
|---|---|---|---|---|
| | Six months ended | | Six months ended | |
| | **30.9.2017** | 30.9.2016 | **30.9.2017** | 30.9.2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Car park operations and facilities management | | | | |
| – Australia | **322,627** | 303,823 | **41,962** | 24,421 |
| – Malaysia | **4,105** | 5,671 | **3,475** | 2,425 |
| – UK | **6,422** | – | **6,410** | – |
| | **333,154** | 309,494 | **51,847** | 26,846 |
| Securities and financial product investments | **60,665** | 42,326 | **72,930** | 60,571 |
| Other operations | **684** | 549 | **2,433** | 2,617 |
| Segment revenue/segment profit | **2,775,986** | 2,952,607 | **1,521,415** | 1,065,433 |
| Unallocated corporate income and expenses | | | **(21,882)** | (38,773) |
| Finance costs | | | **(146,821)** | (105,483) |
| Profit before tax | | | **1,352,712** | 921,177 |
| Income tax expense | | | **(306,234)** | (233,000) |
| Profit for the period | | | **1,046,478** | 688,177 |

None of the segments derived any revenue from transactions with other segments.

**Segment assets**

The following is an analysis of the Group's assets by reportable segment as at the end of the reporting period. Segment assets represent assets held by each segment without allocation of corporate assets which are mainly bank balances and cash and deposit in a financial institution.

| | As at 30.9.2017 *HK$'000* (unaudited) | As at 31.3.2017 *HK$'000* (audited) |
|---|---|---|
| Property development | | |
| – Australia | **4,018,850** | 3,309,546 |
| – HK | **2,550,064** | 2,179,248 |
| – Malaysia | **508,062** | 641,353 |
| – PRC | **2,284,530** | 2,559,895 |
| – Singapore | **2,497,148** | 2,369,356 |
| – UK | **509,275** | 327,605 |
| | **12,367,929** | 11,387,003 |
| Property investment | | |
| – Australia | **165,673** | 161,296 |
| – HK | **2,344,741** | 2,242,535 |
| – PRC | **3,084** | 4,821 |
| | **2,513,498** | 2,408,652 |
| Operations of Dorsett and its subsidiaries | | |
| – HK | **3,446,277** | 3,627,380 |
| – Malaysia | **858,561** | 819,955 |
| – PRC | **1,914,887** | 1,887,490 |
| – Singapore | **613,408** | 608,915 |
| – UK | **1,226,179** | 1,068,067 |
| | **8,059,312** | 8,011,807 |
| Car park operations and facilities management | | |
| – Australia | **873,435** | 759,231 |
| – Malaysia | **137,954** | 137,101 |
| – UK | **149,510** | 139,708 |
| | **1,160,899** | 1,036,040 |
| Securities and financial product investments | **2,029,272** | 1,442,422 |
| Other operations | **218,044** | 220,812 |
| Segment assets | **26,348,954** | 24,506,736 |
| Unallocated corporate assets | **3,831,683** | 3,893,225 |
| Total assets | **30,180,637** | 28,399,961 |

Information about segment liabilities are not regularly reviewed by the chief operating decision makers. Accordingly, segment liability information is not presented.

## 5. OTHER GAINS AND LOSSES

| | Six months ended | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Change in fair value of investment properties | **116,906** | 211,630 |
| Gain arising on transfer of completed properties for sales to investment properties | **8,982** | – |
| Change in fair value of financial assets at fair value through profit or loss | **4,379** | 10,324 |
| Change in fair value of derivative financial instruments | **13,586** | 2,495 |
| Gain on disposal of a subsidiary | **320,130** | – |
| Gain on disposal of property, plant and equipment | **11,575** | – |
| Impairment loss recognised in respect of interest in an associate | **–** | (25,000) |
| Net foreign exchange gains | **13,748** | 37,614 |
| Allowances for doubtful debts | **(2,932)** | (2,044) |
| | **486,374** | 235,019 |

## 6. FINANCE COSTS

| | Six months ended | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Interest on bank borrowings | **131,434** | 150,905 |
| Interest on notes and bonds | **72,979** | 45,757 |
| Less: net interest income from cross currency swap contracts | **(1,773)** | (12,739) |
| Amortisation of front-end fee | **4,918** | 5,042 |
| Others | **952** | 1,635 |
| Total interest costs | **208,510** | 190,600 |
| Less: amounts capitalised to properties under development: | | |
| – properties for owners' occupation | **(4,972)** | (11,838) |
| – properties for sale | **(56,717)** | (73,279) |
| | **146,821** | 105,483 |

Borrowing costs capitalised during the period which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 1.79% to 6.17% (six months ended 30.9.2016: 1.83% to 4.97%) per annum to expenditure on the qualifying assets.

## 7. INCOME TAX EXPENSE

| | Six months ended | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| The income tax expense comprises: | | |
| Current tax: | | |
| Hong Kong Profits Tax | **9,945** | 3,547 |
| PRC Enterprise Income Tax ("PRC EIT") | **176,111** | 67,354 |
| PRC Land Appreciation Tax ("PRC LAT") | **45,619** | 24,679 |
| Australia Income Tax | **9,866** | 105,544 |
| Malaysia Income Tax | **35,001** | 2,232 |
| Singapore Income Tax | **3,063** | – |
| UK Income Tax | **3,382** | – |
| | **282,987** | 203,356 |
| (Over) underprovision in prior years: | | |
| – Hong Kong Profits Tax | **–** | (41) |
| – PRC EIT | **–** | 4,142 |
| – Malaysia Income Tax | **–** | (9) |
| | **–** | 4,092 |
| Deferred taxation | **23,247** | 25,552 |
| | **306,234** | 233,000 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period of each individual company comprising the Group less tax losses brought forward where applicable.

PRC EIT is calculated in accordance with the EIT Law and Implementation Regulations of the EIT Law at the rate of 25%.

PRC LAT is levied at the deemed levying rates in accordance with the relevant PRC Tax laws and regulations.

The domestic statutory tax rate of Australia, Malaysia, Singapore and UK is 30%, 25%, 17% and 19% of the estimated assessable profit for the period, respectively.

## 8. PROFIT FOR THE PERIOD

| | Six months ended | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Profit for the period has been arrived at after charging: | | |
| Amortisation of prepaid lease payments | **5,857** | 5,387 |
| Depreciation of property, plant and equipment | **166,068** | 147,572 |
| Share of taxation of associates (included in share of results of associates) | **630** | 777 |
| and after crediting: | | |
| Bank interest income | **10,300** | 2,879 |

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the consolidated profit for the period attributable to the shareholders of the Company of HK$1,032,795,000 (six months ended 30.9.2016: HK$681,427,000) and the number of shares calculated as follows:

| | Six months ended | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| | ***'000*** | *'000* |
| | **(unaudited)** | (unaudited) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **2,243,437** | 2,131,709 |
| Effect of dilutive potential ordinary shares – Company's share options | **2,960** | 444 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **2,246,397** | 2,132,153 |

## 10. DIVIDENDS

| | Six months ended 30.9.2017 HK$'000 (unaudited) | 30.9.2016 HK$'000 (unaudited) |
|---|---|---|
| Dividends recognised as distribution during the period: | | |
| Final dividend for the year ended 31.3.2017 of HK15 cents (six months ended 30.9.2016: final dividend for the year ended 31.3.2016 of HK13 cents) per share | **337,398** | 277,122 |

The 2017 final dividend was declared in form of a scrip dividend to shareholders who were given an option to elect to receive cash in lieu of all or part of their scrip dividend at a share price of HK$4.01 per share. These new shares rank pari passu to the existing shares of the Company.

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK4.0 cents (six months ended 30.9.2016: HK3.5 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 28 December 2017.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

| | **30.9.2017** *HK$'000* **(unaudited)** | 31.3.2017 *HK$'000* (audited) |
|---|---|---|
| Trade debtors, net of allowance of doubtful debt | **122,492** | 97,869 |
| Advance to contractors | **2,451** | 9,524 |
| Utility and other deposits | **22,077** | 65,950 |
| Prepayment and other receivables | **182,347** | 170,298 |
| Other tax recoverable | **46,542** | 31,549 |
| | **375,909** | 375,190 |

Trade debtors mainly represent receivable from renting of properties, use of hotel facilities and sales of properties. Rentals are payable on presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 14 to 60 days to its corporate customers and travel agents.

Proceeds from sales of properties are settled according to the payment terms of the sale and purchase agreements.

The following is an aging analysis of trade debtors, net of allowance of doubtful debt, based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition date:

| | **30.9.2017** | 31.3.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0-60 days | **95,410** | 80,050 |
| 61-90 days | **7,385** | 3,966 |
| Over 90 days | **19,697** | 13,853 |
| | **122,492** | 97,869 |

## 12. CREDITORS AND ACCRUALS

| | **30.9.2017** | 31.3.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade creditors | | |
| – Land and construction cost and retention payable | **497,893** | 353,878 |
| – Others | **70,378** | 66,636 |
| | **568,271** | 420,514 |
| Construction cost and retention payable for capital assets | **62,675** | 63,033 |
| Rental and reservation deposits and receipts in advance | **40,206** | 39,972 |
| Other payable and accrued charges | **340,273** | 365,887 |
| | **1,011,425** | 889,406 |

The following is an aging analysis of the trade creditors, based on the invoice date:

| | **30.9.2017** | 31.3.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0-60 days | **553,111** | 406,662 |
| 61-90 days | **11,294** | 2,442 |
| Over 90 days | **3,866** | 11,410 |
| | **568,271** | 420,514 |

## MANAGEMENT DISCUSSION AND ANALYSIS

*Financial and Business Reviews*

### Financial review

1. *Profit and loss analysis*

The Company's consolidated revenue for 1H FY2018 was approximately HK$2.8 billion, a slight decrease of 6.0% as compared with the six months ended 30 September 2016 ("1H FY2017"). Despite the lower revenue due to completion timing of projects, gross profit (before depreciation of hotel and car park assets) came in at HK$1.6 billion, showing a strong growth of 24.7% from HK$1.3 billion during 1H FY2017. A breakdown of the Group's revenue and gross profit is shown below:

| | Property development<br>*HK$'000* | Hotel operations and management<br>*HK$'000* | Car park operations and facilities management<br>*HK$'000* | Others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| **For 1H FY2018** | | | | | |
| Revenue | **1,654,534** | **695,315** | **333,154** | **92,983** | **2,775,986** |
| Gross profit | **982,697** | **276,917** | **68,439** | **77,251** | **1,405,304** |
| Depreciation | **–** | **150,992** | **10,010** | **–** | **161,002** |
| Adjusted gross profit | **982,697** | **427,909** | **78,449** | **77,251** | **1,566,306** |
| Adjusted gross profit margin | **59.4%** | **61.5%** | **23.5%** | **83.1%** | **56.4%** |
| **For 1H FY2017** | | | | | |
| Revenue | 1,957,868 | 616,408 | 309,494 | 68,837 | 2,952,607 |
| Gross profit | 765,537 | 232,771 | 56,943 | 53,314 | 1,108,565 |
| Depreciation | – | 137,359 | 10,083 | – | 147,442 |
| Adjusted gross profit | 765,537 | 370,130 | 67,026 | 53,314 | 1,256,007 |
| Adjusted gross profit margin | 39.1% | 60.0% | 21.7% | 77.4% | 42.5% |

Revenue from sales of properties amounted to approximately HK$1,655 million in 1H FY2018, down 15.5% as compared with 1H FY2017 owing to the completion timing of the projects in the Group's pipeline, with gross profit climbing from HK$766 million in 1H FY2017 to HK$983 million for 1H FY2018, representing a 28.4% increase. During 1H FY2018, two projects were completed, namely Royal Crest II in Shanghai and Dorsett Bukit Bintang in Kuala Lumpur. Phased completion of the FIFTH in Melbourne also commenced during 1H FY2018 and will continue into the second half of the financial year.

Revenue from hotel operations and management amounted to approximately HK$695 million in 1H FY2018, an improvement of 12.8% as compared to 1H FY2017, thanks to the solid recovery of the hotel market, in particular in Hong Kong, and the addition of new hotels in the Group's portfolio, namely Silka Tsuen Wan in Hong Kong (opened in February 2017) and Dorsett City in London (partially opened in August 2017), both of which having contributed to the Group's hotel revenue during 1H FY2018. Despite the opening of new hotels, gross margin from the Group's hotel operations and management (before depreciation and amortisation) improved from 60.0% in 1H FY2017 to 61.5% in 1H FY2018, due to higher overall occupancy rate as well as average room rate.

Revenue from car park operations and facilities management amounted to approximately HK$333 million in 1H FY2018, an increase of 7.6% as compared to 1H FY2017, with adjusted gross profit increasing from HK$67.0 million for 1H FY2017 to HK$78.4 million for 1H FY2018, a 17.0% year-on-year growth, as the Group continued to allocate more resources to self-owned car parks which have higher margin compared to third-party car park management contracts. During 1H FY2018, approximately 9,300 car park bays were added to the Group's car park management portfolio, with another 1,392 car park bays added subsequent to 30 September 2017 through an acquisition of a portfolio of car parks in Budapest, Hungary.

Profit attributable to shareholders of the Company amounted to HK$1,033 million, as a result of the completion of a number of high margin projects, a strong recovery of the hotel business, a steadily expanding car park portfolio, as well as a gain on sale of one of the non-core hotels of the Group during 1H FY2018.

Adjusted cash profit[1] was at HK$1,071 million for 1H FY2018 which represented a growth of 72.6% from HK$620 million for 1H FY2017, demonstrating the Group's strong ability to continuously generate cash flow which provides ammunition for the Group's future growth.

In general, contributions from the Group's non-Hong Kong operations were affected by the movement of foreign currencies against Hong Kong dollar. The table below sets forth the exchange rates of Hong Kong dollar against the local currency of countries where the Group has significant operations:

| **Rate as at** | **As at 30 September 2017** | As at 31 March 2017 | *Change* |
|---|---|---|---|
| HK$/AUD | **6.11** | 5.93 | 3.0% |
| HK$/RMB | **1.18** | 1.13 | 4.4% |
| HK$/MYR | **1.85** | 1.75 | 5.7% |
| HK$/GBP | **10.43** | 9.67 | 7.9% |
| HK$/SGD | **5.75** | 5.56 | 3.4% |

| **Average rates for** | **1H FY2018** | 1H FY2017 | *Change* |
|---|---|---|---|
| HK$/AUD | **6.02** | 5.92 | 1.7% |
| HK$/RMB | **1.16** | 1.18 | (1.7%) |
| HK$/MYR | **1.80** | 1.92 | (6.3%) |
| HK$/GBP | **10.05** | 10.57 | (4.9%) |
| HK$/SGD | **5.66** | 5.71 | (0.9%) |

(1) Adjusted cash profit is calculated by adding depreciation and amortisation charges to, and subtracting fair value gain in investment properties from, net profit attributable to shareholders. The amounts are adjusted for minority interests.

2. *Liquidity, financial resources and net gearing*

The following table sets out the Group's bank and cash balances, investment securities (which are considered as cash equivalent items due to its easily-monetizable nature), bank loans and borrowings and equity as at 30 September 2017.

| | **As at 30 September 2017** ***HK$ million*** | As at 31 March 2017 *HK$ million* |
|---|---|---|
| Bank loans, notes and bonds | | |
| Due within 1 year | 4,028 | 1,431 |
| Due 1–2 years | 2,067 | 4,482 |
| Due 2–5 years | 7,192 | 6,547 |
| Due more than 5 years | 356 | 814 |
| Total bank loans, notes and bonds | 13,643 | 13,274 |
| Investment securities | 2,075 | 1,467 |
| Bank and cash balances | 3,836 | 4,161 |
| Liquidity position | 5,911 | 5,628 |
| Net debts[(i)] | 7,732 | 7,646 |
| Carrying amount of the total equity | 12,061 | 10,944 |
| Add: hotel revaluation surplus | 13,011 | 13,354 |
| Total adjusted equity | 25,072 | 24,298 |
| Net gearing ratio (net debts to total adjusted equity) | 30.8% | 31.5% |

To better manage the Group's liquidity position, the Group allocated a portion of its cash position in marketable investment securities. Investment securities shown on the consolidated statement of financial position represent primarily fixed income securities and investments in fixed income funds.

The liquidity position of the Group as at 30 September 2017 was approximately HK$5.9 billion, representing an increase of 5.0% from the balance as at 31 March 2017, primarily due to the collection of sales proceeds upon completion of the Group's residential developments during 1H FY2018, stable cash inflow from the Group's recurring income business, as well as the proceeds on the sale of Silka Tsuen Wan at a consideration of HK$450 million, and offset by repayment of bank borrowings and certain capital expenditure.

*Note (i)* Net debts represent total bank loans, notes and bonds less investment securities, bank and cash balances.

During 1H FY2018, the Group's net debts increased slightly by HK$86 million to HK$7.7 billion. The Group will continue to settle development construction loans when the relevant projects are completed and to repay loans with shorter maturity, with an aim of locking in longer dated funding.

The table below shows the Group's debts profile.

| | **As at 30 September 2017** *HK$ million* | As at 31 March 2017 *HK$ million* |
|---|---|---|
| The Company's notes | **2,231** | 2,311 |
| Dorsett bonds | **947** | 820 |
| Unsecured bank loans | **1,570** | 1,744 |
| Secured bank loans | | |
| – Property development and investment | **3,877** | 3,418 |
| – Hotel operations and management | **4,506** | 4,572 |
| – Car park operations and facilities management | **495** | 398 |
| – Others | **17** | 11 |
| Total bank loans, notes and bonds | **13,643** | 13,274 |

The carrying amounts of the total bank loans, notes and bonds in the Company's consolidated statement of financial position include an amount of approximately HK$1,294 million (as at 31 March 2017: HK$1,329 million) which is reflected as current liabilities even though such sum is not repayable within one year, as the relevant banks and/or financial institutions have discretionary rights to demand immediate repayment.

As at 30 September 2017, the Group's undrawn banking facilities were approximately HK$6.2 billion which were all committed banking facilities, of which approximately HK$4.4 billion was in relation to construction development while the balance of approximately HK$1.8 billion was for the Group's general corporate use. The unutilized banking facilities together with sale proceeds to be generated from the Group's upcoming property development projects place the Group in a solid financial position to fund not only its existing business and operations but also to expand its business further.

In addition, a total of 8 hotel assets within the Group were unencumbered as at 30 September 2017, the capital value of which amounted to HK$4.4 billion based on independent valuation assessed as at 31 March 2017. These assets can be used as collateral for further bank borrowings which can provide further liquidity for the Group, should this be necessary.

Adjusting for the unrecognized hotel revaluation surplus of approximately HK$13,011 million, based on independent valuation assessed as at 31 March 2017, the Group's total consolidated equity as at 30 September 2017 was approximately HK$25,072 million. The net gearing ratio of the Group was at 30.8%, which has improved further from 31.5% achieved as of 31 March 2017.

3. *Net asset value per share*

| | **As at 30 September 2017** *HK$ million* | As at 31 March 2017 *HK$ million* |
|---|---|---|
| Equity attributable to shareholders of the Company | **11,887** | 10,792 |
| Add: Hotel revaluation surplus | **13,011** | 13,354 |
| Total net asset value attributable to shareholders of the Company | **24,898** | 24,146 |
| Number of shares issued *(million)* | **2,249** | 2,238 |
| Net asset value per share | **HK$11.07** | HK$10.79 |

Adjusting for revaluation surplus on hotel assets of approximately HK$13,011 million based on independent valuation assessed as at 31 March 2017, net asset value attributable to shareholders of the Company reached approximately HK$24,898 million. Net asset value per share for the Company as at 30 September 2017 was approximately HK$11.07.

4. *Capital expenditure*

The Group's capital expenditure consists of expenditure for acquisitions, development and refurbishment of hotel properties, plant and equipment.

During 1H FY2018, the Group's capital expenditure amounted to approximately HK$130 million primarily attributable to construction works on the recently opened Dorsett City in London. The capital expenditure was funded through a combination of borrowings and internal resources.

5. *Capital commitments*

| | **As at 30 September 2017** *HK$ million* | As at 31 March 2017 *HK$ million* |
|---|---|---|
| Capital expenditure contracted but not provided in the condensed consolidated financial statements in respect of: | | |
| Acquisition, development and refurbishment of hotel properties | **2,077** | 1,175 |
| Others | **3** | 6 |
| | **2,080** | 1,181 |

6. *Post balance sheet events*

***Acquisition of car parks in Hungary***

The Group completed an acquisition of a portfolio of 6 car parks in Budapest, Hungary at a consideration of approximately EUR21.0 million in October 2017.

The car park portfolio, with a capacity of approximately 1,400 spaces is located in the prestigious central city District 6 and District 7 of Budapest with strong demand for car parking spaces. The acquisition provides the Group a solid base to expand its car park management operation in Budapest and Hungary, and places the Group as one of the largest car park owners and operators in Hungary. Hungary is ideally located in the center of Europe and is attracting significant investment in manufacturing, infrastructure, office and hotel investment, providing a strategic base for the Group to expand further throughout Europe.

***Issue of US$150 million 4.5% 5.5-year notes***

In November 2017, the Company issued US$150 million 4.5 percent 5.5-year notes (the "Issue") due on 13 May 2023 under the Medium Term Note Programme.

The Issue represented another successful fundraising by the Group in the international capital markets, and helped to further push out the debt maturity profile of the Group. The proceeds from the Issue will be used for the Group's business development and general corporate purposes.

**Business review**

1. *Property division*

The Group's property division includes property investment and property development.

Property investment comprises investments in retail and office buildings located in Hong Kong, Singapore, Mainland China and Australia. For 1H FY2018, a fair value gain of investment properties of approximately HK$126 million was recognized, as a result of an increase in fair value of the investment properties in Shanghai, Hong Kong and Melbourne (following completion of the commercial units of FIFTH). As at 30 September 2017, valuation of investment properties reached approximately HK$3.2 billion (31 March 2017: HK$3.0 billion), up 6.6% as compared to the balance as at 31 March 2017.

The Group has a diversified portfolio in residential property development in Australia, Mainland China, Hong Kong, Singapore, Malaysia and the United Kingdom. To carry out property development in the various markets, the Group has established strong local teams in each of these markets which coupled with the regionalisation approach, allow the Group to take advantage of the different property cycles in different markets. This strategy has resulted in a relatively low land cost base for the Group's development projects. The Group's property developments are largely focused on mass residential market from which the Group can benefit due to the growing affluence of the middle class.

Total attributable cumulative presales value of the Group's residential properties under development amounted to approximately HK$13.0 billion as at 30 September 2017. Such presales proceeds are not reflected in the Group's consolidated income statement until the point in time when the relevant projects are completed and the revenue of the relevant projects is then recognized.

The following shows a breakdown of the Group's total attributable cumulative presales value of residential properties under development as at 30 September 2017.

| **Developments** | **Location** | **Attributable pre-sales** *HK$ million* | **Expected financial year of completion** |
|---|---|---|---|
| Aspen Crest | Hong Kong | 1,060 | FY2019 |
| Marin Point | Hong Kong | 186 | FY2019 |
| Artra | Singapore | 1,076 | FY2020 |
| The FIFTH | Melbourne | 981 | FY2018 |
| West Side Place (Towers 1, 2 and 4) | Melbourne | 6,443 | FY2021/22 |
| The Towers at Elizabeth Quay | Perth | 1,908 | FY2020 |
| The Star Residences | Gold Coast | 213 | FY2022 |
| Royal Riverside (Towers 1, 2, 3 and 4) | Guangzhou | 1,173 | FY2018/19 |
| Total attributable cumulative presales | | 13,040 | |

*Cumulative contracted presales value*

During 1H FY2018, the Group launched presales of four of its residential development projects, namely (i) Artra in Singapore; (ii) Marin Point in Hong Kong; (iii) West Side Place Tower 4 in Melbourne; and (iv) The Star Residences in Gold Coast. Total expected attributable gross development value ("GDV") and attributable saleable floor area of these four development projects are approximately HK$7.3 billion and 1.1 million sq. ft. respectively.

As at 30 September 2017, the Group had 23 active residential property development projects in the pipeline with expected attributable saleable floor area of approximately 8.0 million sq. ft. under various stages of development across the regions, as detailed below:

| **Developments** | **Attributable saleable floor area**[i] | **Expected attributable GDV**[ii] | **Status/ expected launch** | **Expected financial year of completion** |
|---|---|---|---|---|
| | *Sq. ft.* | *HK$ million* | | |
| **Pipeline development** | | | | |
| **Melbourne** | | | | |
| West Side Place | | | | |
| – Towers 1 & 2 | 1,072,000 | 5,771 | Launched | FY2021 |
| – Tower 3 | 564,000 | 2,920 | Planning | Planning |
| – Tower 4 | 565,000 | 2,987 | Launched | FY2022 |
| The FIFTH[iii] | 214,000 | 981 | Launched | FY2018 |
| **Perth** | | | | |
| The Towers at Elizabeth Quay | 366,000 | 2,816 | Launched | FY2020 |
| Perth City Link (Lots 2 and 3A) | 320,000 | 1,500 | FY2018/19 | Planning |
| **Brisbane** | | | | |
| Queen's Wharf Brisbane[iv] | | | | |
| – Tower 4 | 259,000 | 1,104 | FY2019 | Planning |
| – Tower 5 | 224,000 | 1,119 | Planning | Planning |
| – Tower 6 | 439,000 | 2,198 | Planning | Planning |
| **Gold Coast** | | | | |
| The Star Residences[v] | 98,000 | 549 | Launched | FY2022 |
| **Guangzhou** | | | | |
| Royal Riverside | | | | |
| – Towers 1, 2, 3 & 4 | 477,000 | 1,507 | Launched | FY2018/19 |
| – Tower 5 | 207,000 | 818 | FY2019 | FY2019 |

| Developments | Attributable saleable floor area[i] | Expected attributable GDV[ii] | Status/ expected launch | Expected financial year of completion |
|---|---|---|---|---|
| | *Sq. ft.* | *HK$ million* | | |
| **Hong Kong** | | | | |
| Aspen Crest | 64,000 | 1,060 | Launched | FY2019 |
| Tan Kwai Tsuen | 48,000 | 628 | FY2018/19 | FY2019 |
| Marin Point | 103,000 | 1,082 | Launched | FY2019 |
| Sham Shui Po | 20,000 | 396 | FY2018 | FY2019/20 |
| Tai Wai | 30,000 | 554 | FY2019 | FY2019/20 |
| Shatin Heights | 70,000 | 1,200 | Planning | Planning |
| **London** | | | | |
| Alpha Square | 388,000 | 4,452 | FY2019 | Planning |
| Hornsey Townhall | 105,000 | 1,039 | FY2018/19 | Planning |
| **Manchester** | | | | |
| Meadowside | 554,000 | 2,467 | FY2018/19 | FY2020/21 |
| Northern Gateway[vi] | 1,500,000 | 5,400 | Planning | Planning |
| **Singapore** | | | | |
| Artra[vii] | 290,000 | 2,709 | FY2018 | FY2020 |
| **Total development pipeline as at 30 September 2017** | 7,977,000 | 45,257 | | |
| **Completed development available for sale** | | | | |
| **Shanghai** | | | | |
| King's Manor | 59,000 | 374 | | |
| The Royal Crest II | 91,000 | 508 | | |
| **Kuala Lumpur** | | | | |
| Dorsett Bukit Bintang | 121,000 | 484 | | |
| **Hong Kong** | 4,000 | 124 | | |
| **Total completed development available for sale as at 30 September 2017** | 275,000 | 1,490 | | |
| **Total pipeline and completed development available for sale as at 30 September 2017** | 8,252,000 | 46,747 | | |

*Notes:*

(i) The figures represent approximate saleable residential floor area which may vary subject to finalization of development plans.

(ii) The amounts represent expected gross development value attributable to the Group, which may change subject to market conditions.

(iii) Excluding units which were completed and delivered before 30 September 2017.

(iv) This residential development consists of a total floor area of approximately 1,800,000 sq. ft.. The Group has 50% interest in the development.

(v) The Group has 33.3% interest in the development.

(vi) The saleable floor area and GDV figure is estimated based on land already acquired and expected number of units to be built. As the master developer of Northern Gateway, the Group is expecting further land acquisitions which will increase both saleable floor area and GDV for this development.

(vii) Total saleable floor area of this development is approximately 410,000 sq. ft.. The Group has 70% interest in the development.

In addition to the above, the Group has entered into a memorandum of understanding with the partners of Destination Brisbane Consortium to develop The Star Entertainment Group Limited ("The Star")'s casino site in Sydney, further contributing to the residential pipeline of the Group.

***Australia***

*Melbourne*

West Side Place is a mixed-use residential development located in the Central Business District ("CBD") of Melbourne. This development is expected to have a residential saleable floor area of approximately 2 million sq. ft. from 4 towers with approximately 3,000 apartments and a total GDV exceeding HK$10 billion. The development will comprise two hotels, including one under the Group's Dorsett brand with approximately 300 hotel rooms located in Tower 3, and another hotel to be operated by Ritz Carlton with approximately 250 hotel rooms located at the top of Tower 1. Following the strong response on the presales of Towers 1 and 2 in June 2016, the Group launched the pre-sale of Tower 4 in June 2017. Total expected GDV of these 3 towers is HK$8.8 billion, of which HK$6.4 billion was presold as at 30 September 2017, representing 73.6% of the corresponding GDV. With the first two towers of the development expected to be completed in FY2021 and Tower 4 expected to be completed in FY2022, this development is expected to strengthen the Group's cashflow and earnings in the coming few years.

The FIFTH is located next to West Side Place and provides 402 apartments. This development with a total GDV of approximately HK$1.3 billion has been completely presold. Completion of the development is by stages with the first stage commencing towards the end of 1H FY2018 and with the rest expected to be completed by the end of the financial year ending 31 March 2018.

*Perth*

The Towers at Elizabeth Quay is a mixed-use development comprising residential apartments of approximately 366,000 sq. ft. in saleable floor area, a luxury Ritz-Carlton hotel with more than 200 rooms, approximately 20,000 sq. ft. of commercial or retail area as well as other ancillary facilities. As at 30 September 2017, its presales value reached approximately HK$1.9 billion, representing 67.8% of the expected GDV. This development is expected to be completed in the financial year ending 31 March 2020.

The Perth City Link is a major project being undertaken by the Western Australian Government to reconnect the Perth CBD and the entertainment district. Lots 2 and 3A of the Perth City Link project is a mixed-use development located adjacent to the Perth Arena. This project is expected to deliver more than 300 residential apartments and approximately 270 hotel rooms to be operated by Dorsett. In May 2017, the Group was also selected as the preferred proponent to develop Lots 3B, 6 and 7 of the Perth City Link project. These three lots will be home to a range of boutique apartments and an integrated retail, entertainment and hospitality complex. The entire project is currently under planning stage.

*Brisbane*

The Destination Brisbane Consortium, a joint venture between the Group, The Star and Chow Tai Fook Enterprises Limited ("CTF"), entered into Development Agreements with the Queensland State, Australia for the delivery of the Queen's Wharf Project in Brisbane (the "QWB Project"). The QWB Project comprises:

(1) an integrated resort component in which the Group's ownership is 25% (CTF: 25% and The Star: 50%) with an equity investment amount of more than AUD200 million. Payments will be made progressively commencing from signing of the QWB Project documents up to completion of the QWB Project which is expected by the end of the financial year ending 31 March 2023.

(2) The residential component owned in the proportion of 50% by the Group and 50% by CTF.

Together with the Group's portion of land premium for this residential component, the total capital commitment of the Group is expected to be approximately AUD250 million to AUD300 million which the Group intends to fund from its internal resources. The QWB Project encompasses a total area of approximately 9.4 hectares at Queen's Wharf, Brisbane, and envisages three residential towers, five world-class hotels, high-end food and commercial outlets and a casino in Brisbane's prime waterfront district. The total core development gross floor area ("GFA") of the QWB Project is expected to be 544,600 square meters ("sq. m.") of which approximately 171,300 sq. m. relates to the residential component.

The QWB Project brings together the Group's experience in international hospitality operation and mixed-use development, CTF's extensive VIP customer base in Mainland China and Asian markets, as well as The Star's operational experience in integrated resorts. The QWB Project is expected to contribute significantly to the Group's recurring cash flow stream as well as to add to its residential development pipeline.

*Gold Coast*

The Star Residences is a mixed-use development featuring 5 towers in the heart of Gold Coast's world-class integrated resort on Broadbeach Island. Pre-sale for the first tower with a saleable area of 294,000 sq. ft. and a GDV of HK$1.6 billion was launched in September 2017, with pre-sale contracted for 39% of the GDV of the first tower as at 30 September 2017. This is an extension of the partnership between the Group, The Star and CTF in Gold Coast, in which the Group has a 33.3% interest. The completion of the first tower of the development is expected to take place in the financial year ending 31 March 2022.

***Mainland China***

The Group has been developing California Garden, a premier township development in Shanghai over a number of years. The development comprises a diversified portfolio of residences including low-rise apartments, high-rise apartments and town houses.

King's Manor consists of 479 apartments and 90 town houses, out of which all the apartments and 63 town houses have been delivered up to 30 September 2017, with the remaining townhouses to be sold on a completed basis.

The Royal Crest II consists of 180 apartments and 42 town houses, with an expected GDV of HK$1.4 billion. All the apartments have been pre-sold by the end of FY2017 and delivered during 1H FY2018. Presale for town houses commenced in September 2016 with 5 town houses delivered during 1H FY2018, and with the remaining town houses to be sold on completed basis.

In Guangzhou, Royal Riverside is a 5-tower residential development comprising 607 apartments with a total saleable floor area of approximately 684,000 sq. ft. and a total expected GDV of HK$2.3 billion. Towers 1, 2, 3 and 4 have been launched for presale with the cumulative presales value reaching HK$1,173 million as at 30 September 2017. The development is expected to be fully completed in the financial year ending 31 March 2019.

*Hong Kong*

The Group has built its development pipeline in Hong Kong over the years through acquisition of redevelopment sites, participating in government tender and bidding for projects with Urban Renewal Authority (“URA”).

Currently the Group has 6 residential projects in the pipeline in Hong Kong.

Aspen Crest is a redevelopment project and consists of 234 apartments with approximately 64,000 sq. ft. in saleable floor area and approximately 16,000 sq. ft. of commercial component. All the units have been pre-sold as at 30 September 2017 with completion expected to take place in the financial year ending 31 March 2019.

Marin Point is a residential development site at Sha Tau Kok which the Group acquired through a government tender. This development comprises 261 low-rise apartments with approximately 103,000 sq. ft. in saleable floor area. The development was launched for pre-sale during 1H FY2018 with 17% of the units pre-sold as at 30 September 2017. Completion of the development is expected in the financial year ending 31 March 2019.

A residential development site at Hai Tan Street, Sham Shui Po was acquired through URA. This residential development will comprise 72 apartments (mainly 1-bedroom apartment) with approximately 20,000 sq. ft. in saleable floor area. Pre-sale for the development is expected to be launched during the financial year ending 31 March 2018 with completion expected in the financial year ending 31 March 2019/2020.

A residential development site at Tan Kwai Tsuen consisting of 24 town houses with approximately 48,000 sq. ft. in saleable floor area is expected to be launched for sale on a completed basis, with completion expected to be in the financial years ending 31 March 2019.

A development site at Mei Tin Road, Tai Wai, comprising a residential component of approximately 30,000 sq. ft. in saleable floor area and a commercial component of approximately 5,300 sq. ft. in gross floor area, was acquired by the Group through government tender. Completion is expected to be in the financial year ending 31 March 2019/2020.

The Group also acquired through government tender a residential development site at Tai Po Road, Shatin Heights. This development will comprise more than 60 apartments and 4 houses. The project has a GFA of approximately 70,000 sq. ft. and is currently under planning stage.

***Malaysia***

Dorsett Bukit Bintang is a residential development adjacent to Dorsett Regency Kuala Lumpur. This development consists of 252 high-rise apartments with approximately 215,000 sq. ft. in saleable floor area. Completion of the development took place during 1H FY2018 with 114 apartments delivered, with the remaining units to be sold on a completed basis.

***United Kingdom***

*London*

Alpha Square is a residential development site in Marsh Wall, Canary Wharf, London. Planning approval has been obtained for the development which will feature a mixed-use complex including residences of approximately 388,000 sq. ft. in saleable floor area, a hotel of approximately 250 rooms and commercial facilities. This development is currently under planning stage.

Hornsey Townhall, located in North London, is a redevelopment project which will be converted into a mixed-use development featuring a residential component, a hotel/serviced apartment tower and a town hall with communal areas. The residential component will provide 135 apartments with saleable floor area of approximately 105,000 sq. ft.. The development is under planning stage.

*Manchester*

Meadowside is a residential development site in Manchester at NOMA which is one of the major residential growth areas of the city. The development will feature 4 towers comprising more than 750 apartments with approximately 554,000 sq. ft. of saleable floor area around the historic Angel Meadow park near Victoria Station. Presale was launched for the first 2 towers of the development with more than 280 apartments in October 2017, with the other two towers expected to be launched during the financial year ending 31 March 2018/2019. Completion of the development is expected to be in the year ending 31 March 2020/2021.

Northern Gateway is a mega-sized development project in Manchester the Group will deliver, having signed an agreement with the Manchester City Council in April 2017, which spans across an area of more than 350 acres (equivalent to 15 million sq. ft.), sweeping north from Victoria Station and taking in the neighbourhoods of New Cross, the Lower Irk Valley and Collyhurst. This is the latest and arguably the largest residential opportunity for transformational change ever undertaken in Manchester. This investment partnership is expected to deliver in excess of 10,000 new homes over the next decade, allowing the city centre to expand and providing the optimal mix of high quality housing in well-planned new areas. The over-arching vision of this project is essentially to create a series of distinct yet clearly connected communities that make the most of the area’s natural resources. This is in addition to the Meadowside development which is located at the peripheral of the Northern Gateway area.

The Group is currently developing a masterplan of the development within which the Group will identify infrastructure and building programmes, as well as a land acquisition strategy. The project is expected to provide the Group with a significant and long-term pipeline within UK and signals the fact that the Group is accelerating its expansion into the UK market.

***Singapore***

Artra is a residential project located next to the Redhill MRT station in Singapore with approximately 410,000 sq. ft. in saleable floor area and is owned by a joint venture in which the Group has a 70% interest. Pre-sale of the development was launched in April 2017 with 40% of the overall units pre-sold as at 30 September 2017. Completion of the development is expected to take place during the year ending 31 March 2020.

2. *Hotel operations and management*

The performance of Dorsett's owned hotel operations for 1H FY2018 is summarized as follows:

| | **Six months ended** | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| **Hong Kong** | | |
| Occupancy rate | **91.2%** | 87.2% |
| Average room rate *(HK$)* | **655** | 632 |
| RevPAR *(HK$)* | **597** | 551 |
| Total revenue *(HK$ million)* | **341** | 287 |
| **Mainland China** | | |
| Occupancy rate | **69.2%** | 59.7% |
| Average room rate *(RMB)* | **415** | 414 |
| RevPAR *(RMB)* | **287** | 247 |
| Total revenue *(RMB million)* | **107** | 92 |
| **Malaysia** | | |
| Occupancy rate | **72.4%** | 68.3% |
| Average room rate *(MYR)* | **194** | 187 |
| RevPAR *(MYR)* | **140** | 128 |
| Total revenue *(MYR million)* | **62** | 56 |
| **Singapore** | | |
| Occupancy rate | **85.9%** | 79.5% |
| Average room rate *(SGD)* | **173** | 187 |
| RevPAR *(SGD)* | **149** | 149 |
| Total revenue *(SGD million)* | **8** | 9 |

| | Six months ended | |
|---|---|---|
| | **30.9.2017** | 30.9.2016 |
| **United Kingdom** | | |
| Occupancy rate | **87.6%** | 89.4% |
| Average room rate *(GBP)* | **105** | 101 |
| RevPAR *(GBP)* | **92** | 91 |
| Total revenue *(GBP million)* | **7** | 6 |
| **Group Total** | | |
| Occupancy rate | **81.8%** | 76.2% |
| Average room rate *(HK$)* | **604** | 599 |
| RevPAR *(HK$)* | **494** | 456 |
| Total revenue *(HK$ million)* | **695** | 616 |

The Group's hotel operations recorded a solid growth of 12.8% on total revenue to HK$695 million for 1H FY2018 as compared to 1H FY2017. The overall occupancy rate ("OCC") increased by 5.6 percentage points to 81.8%. Albeit some adverse currency movements against Hong Kong dollar, the overall average room rate ("ARR") increased by 0.8% to HK$604 per night. As a result, revenue per available room ("RevPAR") for the Group increased by 8.3% to HK$494.

For the period under review, total revenue for Hong Kong hotel operations and management recorded a strong growth of 18.8% as compared to 1H FY2017 to HK$341 million. Hong Kong remains the main contributor to the Group's hotel revenue, representing 49.1% of the total revenue from the Group's hotel business. OCC in Hong Kong increased 4.0 percentage points to 91.2% and ARR increased by 3.6% to HK$655 per night as compared to the same period last year, resulting in a solid growth of 8.3% in RevPAR for Hong Kong to HK$597. In May 2017, the Group completed the sale of Silka West Kowloon in Hong Kong. Had the disposed hotel been taken out of the year-on-year comparison, the overall OCC in Hong Kong would have increased by 4.5 percentage points and ARR increased by 1.9% to HK$657, resulting in a solid growth of 7.2% in RevPAR to HK$598 and an increase of total revenue by 22.6%.

Our hotel business in Hong Kong has not only benefited from the recovering market situation, but also outperformed our competitors through the strategy of diversification with more emphasis on the transient travellers from emerging platforms of North Asia and South East Asia origins.

In Mainland China, OCC in 1H FY2018 increased 9.5 percentage points year-on-year while ARR was RMB415 per night. RevPAR recorded a respectable growth of 16.2% year-on-year to RMB287 with a solid increase in total revenue of 16.3% to RMB107 million, primarily due to the strong performance of Dorsett Shanghai and Dorsett Grand Chengdu. Dorsett Shanghai's improved results were driven by the continuous effort to enhance its ARR through a combination of price increase and segmentation adjustment, which increased 6.9% to RMB753 per night. OCC of Dorsett Grand Chengdu also increased by 12 percentage points year-on-year which significantly improved the RevPAR by 23.5% due to a more diverse customer mix with higher proportion of corporate customers and more international guests.

In Malaysia, total revenue from hotel operations for 1H FY2018 achieved a solid growth of 10.7% as compared to 1H FY2017 to approximately MYR62 million. Despite the increasingly challenging market condition, all our Dorsett branded hotels in Malaysia managed to increase market share. OCC in Malaysia in 1H FY2018 increased by 4.1 percentage points to 72.4% and the ARR increased by 3.7% to MYR194 per night. As a result, the RevPAR recorded a solid growth of 9.4% to MYR140.

In Singapore, Dorsett Singapore recorded revenue of SGD8.0 million for 1H FY2018. OCC increased by 6.4 percentage points to 85.9% and the ARR was at SGD173 per night, resulting in a RevPAR of SGD149.

In the UK, the Group recorded total revenue of GBP7 million, with a year-on-year growth of 16.7% from 1H FY2017. ARR continued to improve by 4.0% to GBP105 per night while OCC was at 87.6%, resulting in a RevPAR increase by 1.1% to GBP92. Dorsett Shepherds Bush recorded a 3.8% increase in RevPAR while ARR increased 2.7% to GBP104 per night with an OCC of 90.4%, and with its performance expected to continue to grow steadily. Dorsett City hotel in London had a soft opening in August 2017 with partial room inventory opened up, contributing GBP0.9 million to the total revenue.

In May 2017, Silka West Kowloon, Hong Kong was sold for HK$450 million with the Group continuing to manage the hotel for a term of 6 years. A gain of HK$320 million was recorded in this period.

As at 30 September 2017, the Group operated 22 owned hotels (9 in Hong Kong, 5 in Malaysia, 4 in Mainland China, 1 in Singapore, 2 in London and 1 in Gold Coast) with approximately 6,900 rooms. The Group also manages 4 other hotels (2 in Hong Kong and 2 in Malaysia) with approximately 880 rooms.

The Group has 13 hotels in the development pipeline, of which two are Ritz Carlton hotels, one each in Melbourne and Perth, and four world-class hotels in the integrated resort of Queen's Wharf, Brisbane in which the Group has a 25% interest, with the remaining expected to be operated by Dorsett. When all the hotels in the pipeline become operational, the Group will have 35 owned hotels operating more than 10,000 rooms.

3. *Car park operations and facilities management*

The Group's car park and facilities management business includes car park operations and property management services.

The car park business extends to both third party owned car parks and self-owned car parks and generates a stable recurring income for the Group. This business sector has been achieving steady growth over the years, with the Group's portfolio under management growing into 427 car parks with approximately 83,801 car parking bays as at 30 September 2017, having added approximately 9,275 car parking bays during 1H FY2018. Of the Group's 427 car parks, 30 were self-owned car parks (24 in Australia, 3 in New Zealand, 1 in the United Kingdom, 2 in Malaysia) comprising approximately 9,292 car parking bays, with the remaining 74,509 car parking bays in Australia, New Zealand and Malaysia under management contracts entered into with third party car park owners, which include local governments, shopping malls, retailers, universities, airports, hotels, hospitals, government departments and commercial and office buildings.

During 1H FY2018, the Group's car park business continued to deliver consistent profit contribution to the Group through organic growth and acquisitions, having leveraged on its central monitoring system, Care Assist, which enabled the management team of this business to have a better control on the day-to-day operations of the business, providing a strong foundation for growth. With a management team rich in experience in car parking operations and the scalability offered by Care Assist, the Group is allocating more resources to the car parking division which is currently actively evaluating a number of acquisition opportunities in regions where the Group has an existing presence, with an aim of adding further self-owned car parks to its portfolio.

With this division further expanding its operation to include property management services in Australia (mainly in Brisbane, Melbourne and Adelaide) and Johor Bahru, Malaysia, where the Group had 70 contracts in relation to facilities management services as at 30 September 2017, it is expected that the car park operations and facilities management business will continue to be a steadily growing source of recurring cash flow streams.

## OUTLOOK

The Group continues to be well positioned to deliver sustainable and long-term growth with its regionalization strategy which has resulted in a strong performance during 1H FY2018. Presales value of the Group as at 30 September 2017 was at a record high of HK$13.0 billion and a development pipeline of HK$45.3 billion provides clear visibility of the Group's future profitability. The Group will continue to add to the development pipelines by allocating resources to regions where the Group sees long-term growth prospects, especially when the strength in Hong Kong dollars offers the Group good timing to actively explore overseas opportunities.

Since Dorsett has become wholly-owned by the Group in 2015, the Group has been reaping benefits from the increased flexibility in capital allocation which has helped partly fuel the Group's accelerated growth in recent years.

The Group's hotel business is expected to continue its recovery track, especially those in Hong Kong, whereas new hotels in the pipelines will further add to the future recurring cash flow base. The Group's direction of allocating more capital to the car park operations and facilities management business ensures this part of the Group's business will not only grow organically as it has been for years, but also through acquisitions of car park assets that yield good returns.

The Group has a favorable liquidity position at approximately HK$5.9 billion and a net gearing ratio of 30.8%, reflecting the strength of the Group's balance sheet. Together with the available undrawn credit facility of HK$6.2 billion and with abundant asset base which remains unencumbered, there is a significant war chest to support the growth of the Group.

In conclusion, the Group has laid a solid foundation for growth and will continue to bring to its shareholders long-term growth.

Lastly, the Board will take into account full year earnings and historical payout ratios in determining final dividend payment for the year ending 31 March 2018. With a strong first half performance, prospects for a growth in final dividend look promising.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had approximately 3,700 employees. The Group provides its employees with comprehensive benefit packages and career development opportunities, including medical benefits, both internal and external trainings appropriate for various level of staff roles and functions.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 September 2017, the Company has complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, except for the deviation from Code Provision A.2.1 described below.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently Tan Sri Dato' David CHIU assumes the roles of both the Chairman and Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The Audit Committee, comprising all of the Company's three independent non-executive directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM has reviewed the accounting principles, standard and practices adopted by the Company, and discussed matters relating to auditing, risk management and internal control and financial reporting, including the review of the unaudited consolidated interim results of the Group for the six months ended 30 September 2017.

## PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at *http://www.hkex.com.hk* and on the website of the Company at *http://www.fecil.com.hk*. The Interim Report of the Company for the six months ended 30 September 2017 will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board of
**Far East Consortium International Limited**
**Ka Pong CHAN**
*Company Secretary*

Hong Kong, 27 November 2017

*As at the date of this announcement, the Board comprises four executive directors, namely Tan Sri Dato' David CHIU, Mr. Cheong Thard HOONG, Mr. Dennis CHIU and Mr. Craig Grenfell WILLIAMS; one non-executive director, Mr. Chi Hing CHAN; and three independent non-executive directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM.*