



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fecil.com.hk>

(Stock Code: 35)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2007

RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2007 which are as follows:

FINANCIAL HIGHLIGHTS

- **Turnover was HK\$988 million, up 41%**
- **Gross profit was increased 34% to HK\$433 million**
- **Net profit for the year was HK\$536 million, up 61%**
- **Earning Per Share was HK27.4 cents**
- **Final dividend, HK8 cents**

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2007

	<i>Notes</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
Revenue		<u>988,209</u>	<u>703,248</u>
Sale of properties		339,420	270,081
Hotel operations		342,901	204,041
Property rental income and management service income		59,315	51,515
Interest income from financial instruments		60,441	68,862
Loan interest income		63,580	70,178
Revenue from other operations		<u>9,519</u>	<u>19,467</u>
		875,176	684,144
Depreciation on hotel properties and other equipment		(30,045)	(15,835)
Other cost of sales		(412,384)	(346,058)
Gross profit		432,747	322,251
Other income		20,236	15,250
Doubtful loan receivable recovered		57,443	–
Administrative expenses		(294,120)	(166,020)
Gain on disposal of available-for-sale investments		113,755	25,895
(Decrease) increase in fair value of financial assets at fair value through profit or loss		(12,926)	2,067
Decrease (increase) in fair value of financial liabilities at fair value through profit or loss		68,839	(113,160)
Changes in fair value of derivative financial instruments		10,402	(40,281)
Increase in fair value of investments held for trading		7,916	1,898
Increase in fair value of investment properties		59,841	414,740
Discount on acquisitions		44,208	–
Gain on disposal of a subsidiary		225,200	–
Share of results of associates		28,970	6,818
Share of results of jointly controlled entities		(771)	1,379
Finance costs		(67,917)	(52,759)
Profit before taxation		693,823	418,078
Taxation	3	(157,394)	(85,867)
Profit for the year	4	<u>536,429</u>	<u>332,211</u>
Attributable to:			
– Equity holders of the Company		538,955	335,124
– Minority interests		(2,526)	(2,913)
		<u>536,429</u>	<u>332,211</u>
Dividends	5		
– Interim, paid		<u>58,196</u>	<u>42,926</u>
– Final, paid for 2006 (Final, paid for 2005)		<u>86,533</u>	<u>70,929</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
– Basic		<u>37.0</u>	<u>23.6</u>
– Diluted		<u>27.4</u>	<u>27.5</u>

CONSOLIDATED BALANCE SHEET*AT 31ST MARCH, 2007*

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Investment properties	1,371,722	1,297,427
Property, plant and equipment	2,040,663	1,210,504
Prepaid lease payments	680,236	374,965
Interests in associates	165,094	141,694
Interests in jointly controlled entities	73,846	74,617
Available-for-sale investments	245,289	598,758
Financial assets at fair value through profit or loss	673,188	99,783
Deposit for acquisition of a property	12,146	—
Amounts due from associates	78,542	129,559
Amount due from an investee company	119,995	119,995
Amount due from a minority shareholder	563	563
Loans receivable	7,480	417,257
Pledged bank deposits	3,165	2,765
	<hr/>	<hr/>
	5,471,929	4,467,887
Current assets		
Inventories	1,269	1,581
Completed properties for sale	710,922	181,046
Properties under development for sale	1,428,063	1,729,107
Investments held for trading	50,764	7,724
Available-for-sale investments	171,615	103,611
Financial assets at fair value through profit or loss	180,825	171,697
Derivative financial instruments	2,411	5,319
Loans receivable	1,022	3,679
Debtors, deposits and prepayments	138,266	241,415
Prepaid lease payments	11,904	8,239
Amount due from a jointly controlled entity	12,270	9,652
Amounts due from associates	2,331	3,437
Taxation recoverable	11,194	7,995
Pledged bank deposits	98,656	52,338
Deposits with investment banks	154,891	31,000
Bank balances and cash	264,024	114,581
	<hr/>	<hr/>
	3,240,427	2,672,421

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current liabilities		
Creditors and accruals	401,153	285,468
Customers' deposits received	171,785	14,492
Amounts due to directors	7,070	12,468
Amounts due to related companies	162,867	38,854
Amounts due to associates	11,885	23,479
Amounts due to minority shareholders	28,763	28,326
Financial liabilities at fair value through profit or loss	838,336	914,969
Derivative financial instruments	1,925	63,551
Taxation payable	151,730	33,124
Obligations under finance leases	766	352
Bank and other borrowings	1,233,225	999,925
Bank overdrafts, unsecured	6,582	285
	<u>3,016,087</u>	<u>2,415,293</u>
Net current assets	<u>224,340</u>	<u>257,128</u>
	<u>5,696,269</u>	<u>4,725,015</u>
Capital and reserves		
Share capital	146,761	144,108
Reserves	3,875,187	3,400,425
Equity attributable to equity holders of the Company	4,021,948	3,544,533
Minority interests	26,148	27,250
Total equity	<u>4,048,096</u>	<u>3,571,783</u>
Non-current liabilities		
Amount due to a minority shareholder	43,079	35,240
Amount due to a jointly controlled entity	12,552	10,801
Deferred taxation	188,206	124,395
Obligations under finance leases	1,070	716
Bank and other borrowings	1,403,266	982,080
	<u>1,648,173</u>	<u>1,153,232</u>
	<u>5,696,269</u>	<u>4,725,015</u>

1. POTENTIAL IMPACT ARISING ON THE NEW AND REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had resulted in changes to the Groups accounting policy in the following areas. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior periods have been prepared and presented.

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard (“HKAS”) 39 and Hong Kong Financial Reporting Standards (“HKFRS”) 4 (Amendments) “Financial guarantee contracts” which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 “Financial Instruments: Recognition and Measurement” as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

The adoption of HKAS 39 and HKFRS 4 (Amendments) has no material impact on the Group’s consolidated financial statements.

Fair value option

In the current year, the Group has applied HKAS 39 (Amendment) “The fair value option” which is effective for annual periods beginning on or after 1st January, 2006.

Prior to 1st April, 2006, the Group designated certain financial instruments as at fair value through profit or loss.

At the date of this announcement of these consolidated financial statements, the following HKFRS, HKAS and Interpretations (“HK(IFRIC)”) were issued but not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC) – INT 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1st November, 2006

⁶ Effective for annual periods beginning on or after 1st March, 2007

⁷ Effective for annual periods beginning on or after 1st January, 2008

2. BUSINESS SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions – property development and investment, hotel operations and loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations mainly include sale of boiler products and other interest income.

Principal activities are as follows:

Property development and investment	–	properties development, letting and sale
Hotel operations	–	hotel operations and management
Loan financing	–	loan financing for hotel operations
Treasury management	–	investment and trading in securities

2007

	Property development and investment <i>HK\$'000</i>	Hotel Operations <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE							
External sales	394,217	347,419	63,580	173,474	9,519	–	988,209
Inter-segment sales	29,237	654	88,490	–	–	(118,381)	–
Total revenue	<u>423,454</u>	<u>348,073</u>	<u>152,070</u>	<u>173,474</u>	<u>9,519</u>	<u>(118,381)</u>	<u>988,209</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	79,999	202,912	59,377	182,956	(129,950)		395,294
Discount on acquisitions	–	44,208	–	–	–		44,208
Decrease in fair value of financial liabilities at fair value through profit or loss							68,839
Gain on disposal of a subsidiary							225,200
Share of results of associates	26,475	–	–	–	2,495		28,970
Share of results of jointly controlled entities	–	–	–	–	(771)		(771)
Finance costs							<u>(67,917)</u>
Profit before taxation							693,823
Taxation							<u>(157,394)</u>
Profit for the year							<u>536,429</u>

	Property	Hotel			Other	Consolidated	
	development		Loan	Treasury			operations
	and	Operations	financing	management			
investment	Operations	financing	management	operations	Consolidated		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
BALANCE SHEET							
ASSETS							
Segment assets	3,914,257	2,631,717	–	1,543,112	174,071	8,263,157	
Interests in associates	31,864	–	–	–	133,230	165,094	
Interests in jointly controlled entities	–	–	–	–	73,846	73,846	
Amounts due from associates	160	–	–	–	80,713	80,873	
Amount due from a jointly controlled entity	–	–	–	–	12,270	12,270	
Taxation recoverable						11,194	
Unallocated corporate assets						105,922	
						<u>8,712,356</u>	
Consolidated total assets						<u>8,712,356</u>	
LIABILITIES							
Segment liabilities	602,033	41,519	–	112,935	15,438	771,925	
Amounts due to associates	11,787	–	–	–	98	11,885	
Amount due to jointly controlled entity	–	–	–	–	12,552	12,552	
Borrowings						3,483,245	
Taxation payable						151,730	
Deferred taxation						188,206	
Unallocated corporate liabilities						44,717	
						<u>4,664,260</u>	
Consolidated total liabilities						<u>4,664,260</u>	
OTHER INFORMATION							
Capital additions	71,649	1,076,393	–	–	–	1,148,042	
Depreciation and amortisation	5,899	36,442	–	152	–	42,493	
						<u>42,493</u>	

2006

	Property development and investment <i>HK\$'000</i>	Hotel		Treasury management <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
		Operations	Loan financing				
		<i>HK\$'000</i>	<i>HK\$'000</i>				
REVENUE							
External sales	321,596	204,041	70,178	87,966	19,467	–	703,248
Inter-segment sales	35,517	–	–	–	–	(35,517)	–
Total revenue	<u>357,113</u>	<u>204,041</u>	<u>70,178</u>	<u>87,966</u>	<u>19,467</u>	<u>(35,517)</u>	<u>703,248</u>
Inter-segment sales are charged at prevailing market rates.							
RESULTS							
Segment results	379,005	83,673	67,851	63,020	(17,974)		575,575
Increase in fair value of financial liabilities at fair value through profit or loss							(113,160)
Profit on disposal of property, plant and equipments	225	–	–	–	–		225
Share of results of associates	5,741	–	–	–	1,077		6,818
Share of results of jointly controlled entities	–	–	–	–	1,379		1,379
Finance costs							<u>(52,759)</u>
Profit before taxation							418,078
Taxation							<u>(85,867)</u>
Profit for the year							<u>332,211</u>

	Property	Hotel			Other	Consolidated
	development	Operations	Loan	Treasury		
	and		financing	management		
investment	Operations	financing	management	operations	Consolidated	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET						
ASSETS						
Segment assets	1,534,938	1,426,508	408,744	575,114	2,813,730	6,759,034
Interests in associates	1,839	–	–	–	139,855	141,694
Interests in jointly controlled entities	–	–	–	–	74,617	74,617
Amounts due from associates	60,658	–	–	–	72,338	132,996
Amount due from a jointly controlled entity	–	–	–	–	9,652	9,652
Taxation recoverable						7,995
Unallocated corporate assets						14,320
						<u>7,140,308</u>
Consolidated total assets						<u>7,140,308</u>
LIABILITIES						
Segment liabilities	222,302	25,940	59,943	92,090	52,522	452,797
Amounts due to associates	23,315	–	–	–	164	23,479
Amount due to a jointly controlled entity	–	–	–	–	10,801	10,801
Borrowings						2,898,327
Taxation payable						33,124
Deferred taxation						124,395
Unallocated corporate liabilities						25,602
						<u>3,568,525</u>
Consolidated total liabilities						<u>3,568,525</u>
OTHER INFORMATION						
Capital additions	16,500	233,395	–	–	63	249,958
Depreciation and amortisation	5,816	20,085	–	–	309	26,210

3. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The taxation charges comprises:		
Current year:		
Hong Kong	64,473	11,872
Other jurisdictions	10,110	263
	<u>74,583</u>	<u>12,135</u>
Prior years underprovision:		
Hong Kong	15,183	553
Other jurisdictions	46,317	464
	<u>61,500</u>	<u>1,017</u>
Deferred taxation	21,311	72,715
	<u>157,394</u>	<u>85,867</u>

4. PROFIT FOR THE YEAR

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Amortisation of investment in a jointly controlled entity	2,904	2,904
Amortisation of prepaid lease payments	6,609	5,223
Allowance for bad and doubtful debts	36,193	5,009
Allowance for loans receivable	3,088	11,004
Allowance for amount due from an associate	51,923	–
Auditor's remuneration	4,538	2,850
Cost of completed properties for sale recognised as an expense	290,150	258,856
Cost of inventories recognised as an expense	5,716	14,659
Depreciation:		
Owned assets	35,665	20,768
Assets held under finance leases	219	219
Loss on disposal of property, plant and equipment	16	–
Directors' remuneration and other staff costs	108,931	57,102
Share of taxation of associates (included in share of results of associates)	5,223	1,431
and after crediting:		
Dividend income from listed investments	4,307	2,304
Bank interest income	4,645	4,115
Net foreign exchange gains	4,187	484
Profit on disposal of property, plant and equipment	–	225
Rental income, net of outgoings of HK\$11,908,000 (2006: HK\$10,342,000)	<u>40,950</u>	<u>36,019</u>

5. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim, paid – HK4 cents (2006: HK3 cents) per share:		
Cash	30,193	18,418
Share alternative under scrip dividend scheme	28,003	24,508
	<u>58,196</u>	<u>42,926</u>
Final, paid for 2006 – HK6 cents (Final, paid for 2005: HK5 cents) per share:		
Cash	47,354	40,442
Share alternative under scrip dividend scheme	39,179	30,487
	<u>86,533</u>	<u>70,929</u>
	<u>144,729</u>	<u>113,855</u>

The final dividend in respect of 2007 of HK8 cents (2006: HK6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of basic earnings per shares	538,955	335,124
Effect of (increase) decrease in fair value of financial liabilities at fair value through profit or loss	<u>(68,839)</u>	<u>113,160</u>
Earnings for the purpose of diluted earnings per share	<u><u>470,116</u></u>	<u><u>448,284</u></u>
	Number of shares '000	Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,450,102	1,419,558
Effect of dilutive potential ordinary shares		
– convertible bonds	245,051	201,312
– share options	<u>10,433</u>	<u>11,894</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,705,586</u></u>	<u><u>1,632,764</u></u>

DIVIDEND

The Directors recommend a final dividend for the year ended 31st March, 2007 of HK8 cents (2006: HK6 cents) per share, representing an increase of 33.3% over last year and reflecting our strong financial position. The final dividend will be paid to shareholders whose names appear on the Company's Register of Members on 23rd August, 2007 amounting to HK\$117 million. The final dividend will take 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 ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 23rd August, 2007; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted 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 five trading days prior to and including 23rd August, 2007. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election

on or about 30th August, 2007. Dividends warrants or new shares certificates will be posted on or about 28th September, 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 20th August, 2007 to 23rd August, 2007, both days inclusive, during which period no transfer of shares will be effected. To determine entitlement to the final dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Standard Registrars Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 17th August, 2007.

CORPORATE OVERVIEW

After a series of austerity measures imposed by the central government over the last few years, the property market has become less speculative and more stable in China. Presently, we have seen the increasing interests from the end-users. The volume of property sales has picked up with reasonable increase in prices. We believe our strategy to focus on middle and upper-middle class housing development is clearly the right decision for the Company. It does not only leverage on the economic growth and the increasing middle-class population but also synchronizes with the overall government policies on housing in China. We strongly believe the overall growth of the property market will continue and we are prepared to explore new investment opportunities in China.

In Hong Kong, visitor arrivals continued to grow for the third consecutive year since the outbreak of SARS in 2003. According to the Hong Kong Tourism Board, the cumulative visitor arrivals in 2006 reached 25.3 million, representing an 8.1% increase from previous year. In addition to the 8.4% growth in Mainland visitors, the visitors from Southeast Asia showed an even stronger growth of 10.2% and they represent the second largest group of tourist after China. In view of this, we have begun to broaden our hotel guest base by devoting more resources into the Southeast Asia markets. Currently, we have three hotels under development and are planning to open one new hotel a year for the next three years.

Like Hong Kong, Malaysia has also posted a third consecutive yearly growth in visitor arrivals. The aggregate growth for visitors was 6.8% in 2006 versus 4.6% in previous year. We believe that this is just the beginning of the growing trend, and thus we decided to aggressively expand our hotel portfolio in Malaysia. In order to accelerate implementation of our hotel expansion plan, we entered into a conditional agreement with Tan Sri Dato David Chiu to acquire two hotel properties from him in Malaysia in December 2006. The acquisition was highly supported by our shareholders with almost unanimous votes recorded in our extraordinary general meeting. Furthermore, we also acquired Sheraton Subang Hotel in February 2007 and entered into a hotel management contract with a hotel in Penang in April 2007. With the positive outlook of the Malaysian tourism industry, we will continue to look for new hotel investment opportunities in Malaysia.

Lastly, we have been planning to enter the hotel market in China over the last 12 months. We believe both leisure and business traveling are due to exponential growth in Mainland. In 2006, there were about 22 million foreign visitors traveling to China. Including visitors from Hong Kong, Macau and Taiwan, the total visitor arrivals would be about 125 million. More substantially, domestic visitors have already reached 1.2 billion in 2005. Recently, we made two major acquisitions for hotel development in China – one in Chengdu and one in Wuhan. This signalizes the beginning of our rapid hotel expansion plan in the Mainland.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Property Development Division

China

Despite of the weak sentiment in Shanghai's property market in general, the property sales of California Garden have been doing well. We had sold about half of the 1,000 residential units launched. These units are presently under construction and are scheduled to deliver to buyers in December 2007. According to the present accounting standards, the profits from this pre-sale launch will be recognized in FY2008 when the occupancy permits are received.

According to the present development plan, California Gardens still has a balance of about 6,000 residential units to be developed over the next four to five years. The whole project is expected to be completed by 2012.

Other than California Garden, the Group also has three property development projects, namely New Time Plaza, Gantangyuan, and Huadijiayuen, in Guangzhou with a total attributable gross floor area of over 1.4 million square feet. All three projects consist of residential and commercial development and are scheduled to be completed by 2008 and 2009.

Hong Kong

The Group has placed its primary focus of property development in China, therefore we do not maintain a significant land bank in Hong Kong. However, we will continue to seek for attractive property development projects when opportunities arise. Presently, we have six property projects under development. Our luxurious property project, The Cove, had been completed and launched for sale as a whole lot.

Australia

The Group has two property development projects in Melbourne, namely Royal Domain Tower and Northbank Place. Royal Domain Tower is a luxury residential development project. The construction of Royal Domain Tower had been completed and over 75% of its units were sold. Northbank Place consists of an office building and two residential towers. The office building was pre-sold to an investor and 97% of the 385 apartment units were sold. The construction of Northbank Place commenced in April 2007.

2. Hotel Division

During the year, the Group opened one new hotel, Dorsett Far East Hotel, in Hong Kong and acquired Sheraton Subang Hotel in Malaysia. Our hotel portfolio has now increased from seven hotels to nine hotels or from 1,629 rooms to 2,371 rooms.

On top of the organic growth from our existing hotel portfolio, we will further enhance the growth of our hotel division with new developments and acquisitions. Currently, we have three hotels under development in Hong Kong, two in Malaysia and two in China. When all these hotels are completed over the next one to three years, the size of our hotel portfolio will be doubled in terms of the number of hotel rooms.

Apart from expanding our hotel portfolio, we are also dedicated to establishing our own hotel brands. Recently, our Lan Kwai Fong Hotel in Hong Kong was awarded as “The Best Boutique Hotel in Asia” by TravelWeekly Asia Industry Awards 2007 for its excellent services, outstanding efforts and innovation in products.

Subsequent Events

On 22nd April 2007, the Company’s wholly owned subsidiary, Far East Dorsett Hotel Management (Cheng Du) Company Limited (遠東帝豪酒店管理(成都)有限公司) through an auction agent, entered into a sale and purchase agreement relating to a building in Cheng Du at the consideration of RMB 279 million (equivalent to approximately HK\$281.8 million). The building is known as Cheng Du Ginza Building (成都銀座大廈) and located in the central business district of the city of Chengdu. The completion of this transaction is expected to be in late July 2007 after the sale and purchase agreement becomes unconditional. The Company intends to retain the current structure of the building and convert it into a hotel and retail shops complex. The details of this acquisition can be found on the announcement dated 24 April 2007.

The Company’s another wholly owned subsidiary, Wu Han Far East Dorsett Hotel Management Company Limited (武漢遠東帝豪酒店管理有限公司), entered into a sale and purchase agreement on 29th June, 2007 relating to a building complex in Wuhan at the consideration of RMB 420 million (equivalent to approximately HK\$ 432.6 million). This building complex is known as Hong Kong & Macau Centre (港澳中心) and situated in the central business area of Wuhan. The completion of this transaction is expected to be in late August upon transfer of the land use right and the property titles of the building complex to this subsidiary. The details of this acquisition can be found on the announcement dated 4 July 2007.

We consider that both acquisitions represent a good opportunity for the Group to strengthen its existing hotel portfolio and provide a platform to the Group to capture the future growth of tourism business in China.

FINANCIAL REVIEW

Revenue for the financial year of 2007 increased by 41% to HK\$988 million with gross operating profit and net profit were up by 34% to HK\$433 million and by 61% to HK\$536 million respectively.

The increase of revenue was primarily driven by the strong performance of our hotel operations and the increase of property sales. Revenue from our hotel operations increased from HK\$204 million last year to HK\$348 million this year, representing an increase of 71%. Owing to the increased contribution from our property development in Australia, the total property sales for this year increased to HK\$339 million from last year's HK\$270 million. Furthermore, the sales of financial instruments was recorded at HK\$114 million this year, as compared to HK\$26 million last year.

Gross profit rose to HK\$433 million, a 34% increase as compared to that of last year. Such growth was mainly attributable to the strong operating performance of our hotels and the expansion of our hotel portfolio.

During the year, we disposed our interest in the Riverside South Project in Manhattan, the United States for US\$37.8 million (approximately HK\$294.8 million), a profit of HK\$225 million was recognized. On top of our strong operating results, this one-off gain further boosted our net profit to HK\$536 million for the year.

For the year ended 31st March, 2007, the Group achieved a strong operating performance. Turnover of the Group reached HK\$988 million, up 41% from the last year. This increase was primarily driven by the increase of property sales and the strong performance of our hotel portfolio.

Gross profit rose to HK\$433 million, a 34% increase as compared to last year. Such growth was mainly attributable to the increased number of hotels and their exceptional performance.

FINANCIAL RESOURCES AND LIQUIDITY

Borrowings and charge on Group assets

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank loans	1,866,801	1,622,087
Bank overdrafts	6,582	285
Financial liabilities at fair value through profit or loss	838,336	914,969
Mortgage loans	456,282	348,440
Obligations under finance leases	1,836	1,068
Other loans	313,408	11,478
	<u>3,483,245</u>	<u>2,898,327</u>
Analysed as:		
Secured	2,644,909	1,971,880
Unsecured	838,336	926,447
	<u>3,483,245</u>	<u>2,898,327</u>
The above borrowings are repayable as follows:		
On demand or within one year	2,078,909	1,915,531
Amount due after one year	1,404,336	982,796
	<u>3,483,245</u>	<u>2,898,327</u>

Zero Coupon Convertible Bonds

The US\$67million zero coupon convertible bonds issued by the Company on 13th April, 2004 was purposed for repayment of existing loans and general working capital. At the balance sheet date, over 98% of these convertible bonds have been converted into ordinary shares of the Company. On or at anytime after 13th April, 2006 and prior to 13th April, 2009, the Company can exercise its option to redeem the outstanding convertible bonds at a predetermined early redemption amount.

Presently, the Company has another zero coupon convertible bonds amounting to HK\$754 million remain outstanding at the balance sheet date. The primary purpose of the issue is to finance the upcoming development project in Macau. Based on the adjusted conversion price of HK\$3.07, the convertible bonds are convertible into approximately 245 million ordinary shares of the Company of HK\$0.1 each.

Under HKAS32 and HKAS39, both zero coupon convertible bonds are designated as “financial liabilities at fair value through profit or loss”. At each subsequent balance sheet date, “financial liabilities at fair value through profit or loss” are measured at fair value with changes in the fair value recognised directly in the income statement of the Company in the period in which they arise. Accordingly, the balances of the US dollar denominated and Hong Kong dollar denominated convertible bonds are adjusted from HK\$10 million and HK\$754 million to HK\$10 million and HK\$828 million respectively at the balance sheet date. Such adjustments are recognised as a charge to the income statement resulting from the increase in the fair value of financial liabilities. In subsequent period up to maturity date of the convertible bonds, the increase or decrease in the fair value of such financial liabilities will be credited or charged to the income statement of the Company in the corresponding period.

Contingent Liabilities and Commitments

The Group had the following contingent liabilities at the balance sheet date:

- (a) The Group has given guarantees to bankers to secure banking and other facilities made available to an investee company of nil (2006: HK\$154,322,000). The fair value of the guarantee issued in 2006 have not been recognised as the directors consider that the amount should not be significant.
- (b) The Group has given a guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 31st March, 2007, the total amount of mortgages outstanding which are subject to these guarantees was HK\$40,406,060 (2006: HK\$2,769,000). The director considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low applicable default rates.
- (c) In previous year, a subsidiary of the Company (the “Subsidiary”) was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleges that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claim compensation for damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also allege that the Subsidiary owes them salaries,

payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding the employment contract as the board of directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismissing the claim was filed in the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.

Capital Commitments

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development for sale	1,136,198	475,256
Hotel properties	–	2,781
Others	4,329	–
	<u>1,140,527</u>	<u>478,037</u>
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	426,090	–
Hotel properties	11,315	8,400
	<u>437,405</u>	<u>8,400</u>
	<u>1,577,932</u>	<u>486,437</u>

Gearing ratio

The gearing ratio (total bank and other borrowings and financial liabilities at fair value thought profit or loss and convertible bonds to shareholders' equity) as at 31st March, 2007 was 87% (2006: 82%).

Current ratio

The current ratio as at 31st March, 2007 was 1.1 (2006: 1.1). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the year.

Pledge of assets

At the balance sheet date, the Group had pledged the following assets:

- (a) The Group's completed properties for sale, investment properties and property, plant and equipment, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK\$4,291,849,000 (2006: HK\$3,399,431,000), HK\$101,821,000 (2006: HK\$55,102,000) and HK\$731,000 (2006: HK\$1,576,000) respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$3,854,548,000 (2006: HK\$2,822,947,000) and nil (2006: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$3,165,000 (2006: HK\$2,765,000) were pledged to a Group's banker to secure a credit facility given by the banker to secure credit facility in favour of subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, other financial assets and deposits with an aggregate carrying amount of approximately HK\$365,640,000 (2006: HK\$414,182,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$1,011,087,000 (2006: HK\$645,095,000), of which HK\$83,621,000 (2006: HK\$54,427,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (2006: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31st March, 2007 was approximately 1,500. Employees receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses to reward employees based on individual performance. The Group provides a comprehensive benefit package and career development opportunities, including medical benefit and both internal and external training appropriate to each individual's requirements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31st March 2007, except for the deviations from the code provisions A.1.1, A.4.1 and A.4.2 of the Code described below.

Under code provision A.1.1 of the Code, the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. However, only two board meetings had been held during the year since each Director is travelling too heavily to uphold this requirement. In view of good Corporate Governance Practices, the Board will meet regularly and hold at least four board meetings in the forthcoming year.

Under code provision A.4.1 of the Code, Non-executive Directors should be appointed for a specific term and subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term of office. However, the Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Articles of Association.

Under the second part of code provision A.4.2 of the Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Company, however, is not subject to retirement by rotation. In accordance with the second part of Article 115(B) of the Articles of Association of the Company, a Director appointed as an executive Chairman or as Managing Director or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors. In view of good Corporate Governance Practices, the executive Chairman voluntarily retires from his office and offers himself for re-election at the last annual general meeting of the Company notwithstanding that he is not required to do so by the Company’s Article 115(B). As such, the Company considers that sufficient measures have been taken to ensure that the Company’s Corporate Governance Practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31st March, 2007.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors. The Audit Committee has reviewed the 2006/2007 financial statements with the management and the Company’s external auditors and recommended its adoption by the Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Hong Kong Exchange and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.irasia.com/listco/hk/fareastcon/index.htm. The Annual Report and the Notice of Annual General Meeting will be despatched to the shareholders on or about 31st July, 2007 and will be available at the Stock Exchange's and the Company's website at the same time.

On behalf of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 19th July, 2007

As at the date of this announcement, the Board of Directors of the Company comprises four executive directors namely Mr. Deacon Te Ken Chiu, Tan Sri Dato' David Chiu, Mr. Craig Grenfell Williams, Mr. Dennis Chiu; two non-executive directors namely Madam Ching Lan Ju Chiu, Mr. Daniel Tat Jung Chiu and three independent non-executive directors namely Mr. Kwok Wai Chan, Mr. Jian Yin Jiang and Mr. Peter Man Kong Wong.