



# **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, 2008**

### **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, 2008 which are as follows:

### **FINANCIAL HIGHLIGHTS**

- **Revenue was HK\$2,160 million, up 147%**
- **Gross profit was increased 149% to HK\$1,079 million**
- **Net profit for the year was HK\$443 million**
- **Earning Per Share was HK27.8 cents**
- **Final dividend, HK10 cents**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH, 2008**

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue		<b>2,159,514</b>	875,176
Depreciation on hotel properties and other equipment		<b>(52,548)</b>	(30,045)
Other cost of sales		<b>(1,028,142)</b>	(412,384)
Gross profit		<b>1,078,824</b>	432,747
Other income		<b>42,593</b>	20,236
Doubtful loan receivable recovered		–	57,443
Administrative expenses		<b>(266,476)</b>	(294,120)
(Loss) gain on disposal of available-for-sale investments		<b>(5,660)</b>	113,755
Decrease in fair value of financial assets			
at fair value through profit or loss		<b>(154,391)</b>	(12,926)
(Increase) decrease in fair value of financial liabilities			
at fair value through profit or loss		<b>(25,817)</b>	68,839
Changes in fair value of derivative financial instruments		<b>(139,105)</b>	10,402
(Decrease) increase in fair value of investments held for trading		<b>(48,061)</b>	7,916
Increase in fair value of investment properties		<b>205,562</b>	59,841
Discount on acquisition		<b>66,140</b>	44,208
Gain on disposal of a subsidiary		–	225,200
Share of results of associates		<b>15,675</b>	28,970
Share of results of jointly controlled entities		<b>(2,904)</b>	(771)
Finance costs		<b>(107,984)</b>	(67,917)
Profit before taxation		<b>658,396</b>	693,823
Taxation	3	<b>(215,016)</b>	(157,394)
Profit for the year	4	<b>443,380</b>	536,429
Attributable to:			
– Equity holders of the Company		<b>432,905</b>	538,955
– Minority interests		<b>10,475</b>	(2,526)
		<b>443,380</b>	536,429
Dividends	5		
– Interim, paid		<b>80,293</b>	58,196
– Final, paid		<b>126,496</b>	86,533
		<b>206,789</b>	144,729
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
– Basic		<b>27.8</b>	37.2
– Diluted		<b>26.4</b>	27.6

**CONSOLIDATED BALANCE SHEET**

AT 31ST MARCH, 2008

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Non-current assets</b>		
Investment properties	1,936,939	1,371,722
Property, plant and equipment	2,598,266	2,040,663
Prepaid lease payments	1,115,311	680,236
Interests in associates	170,675	165,094
Interests in jointly controlled entities	70,942	73,846
Available-for-sale investments	93,802	245,289
Financial assets at fair value through profit or loss	264,384	673,188
Deposit for acquisition of properties	97,249	12,146
Amounts due from associates	82,221	78,542
Amount due from an investee company	119,995	119,995
Amount due from a minority shareholder	563	563
Loans receivable	2,110	7,480
Pledged bank deposits	–	3,165
	<hr/>	<hr/>
	6,552,457	5,471,929
<b>Current assets</b>		
Inventories	1,805	1,269
Completed properties for sale	912,618	710,922
Properties under development for sale	1,048,455	1,428,063
Available-for-sale investments	72,101	171,615
Investments held for trading	71,277	50,764
Financial assets at fair value through profit or loss	166,103	180,825
Derivative financial instruments	–	2,411
Loans receivable	1,154	1,022
Debtors, deposits and prepayments	167,687	138,266
Prepaid lease payments	20,141	11,904
Amount due from a jointly controlled entity	13,135	12,270
Amounts due from associates	407	2,331
Amounts due from a related company	4,773	–
Taxation recoverable	1,889	11,194
Pledged bank deposits	107,339	98,656
Deposits with investment banks	36,296	154,891
Bank balances and cash	408,324	264,024
	<hr/>	<hr/>
	3,033,504	3,240,427

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Current liabilities</b>		
Creditors and accruals	279,855	401,153
Customers' deposits received	349,050	171,785
Amounts due to directors	3,352	7,070
Amounts due to related companies	43,548	162,867
Amounts due to associates	13,760	11,885
Amounts due to minority shareholders	29,665	28,763
Financial liabilities at fair value through profit or loss	430,123	838,336
Derivative financial instruments	141,038	1,925
Taxation payable	256,747	151,730
Obligations under finance leases	1,247	766
Bank and other borrowings, secured	1,018,476	1,233,225
Bank overdrafts, secured	—	6,582
	<u>2,566,861</u>	<u>3,016,087</u>
<b>Net current assets</b>	<u>466,643</u>	<u>224,340</u>
	<u><b>7,019,100</b></u>	<u><b>5,696,269</b></u>
<b>Capital and reserves</b>		
Share capital	161,941	146,761
Reserves	4,750,736	3,875,187
Equity attributable to equity holders of the Company	4,912,677	4,021,948
Minority interests	39,467	26,148
Total equity	<u>4,952,144</u>	<u>4,048,096</u>
<b>Non-current liabilities</b>		
Amount due to a minority shareholder	22,277	43,079
Amount due to a jointly controlled entity	12,552	12,552
Deferred taxation	221,395	188,206
Obligations under finance leases	574	1,070
Bank and other borrowings	1,810,158	1,403,266
	<u>2,066,956</u>	<u>1,648,173</u>
	<u><b>7,019,100</b></u>	<u><b>5,696,269</b></u>

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendments to Hong Kong Accounting Standards (“HKAS”), Hong Kong Financial Reporting Standard (“HKFRS”) and interpretations (“HK(IFRIC)-Int”) (new “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs has the following impact:

- The impact of application of HKFRS 7 “Financial Instruments: Disclosures” has been to expand the disclosures provided in the consolidated financial statements regarding the Group’s financial instruments, especially on the sensitivity analysis to market risk.
- The impact of application of HKAS 1 (Amendment) “Capital Disclosures” has been to disclose information regarding its objectives, policies and processes for managing capital.

The application of the remaining new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 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
Treasury management	–	investment and trading in securities
Loan financing	–	loan financing for hotel operations which ceased in 2007

### 2008

	Property development and investment <i>HK\$'000</i>	Hotel operations <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>
<b>REVENUE</b>						
External sales	1,408,583	611,789	135,912	3,230	–	2,159,514
Inter-segment sales	32,636	–	–	–	(32,636)	–
Total revenue	<u>1,441,219</u>	<u>611,789</u>	<u>135,912</u>	<u>3,230</u>	<u>(32,636)</u>	<u>2,159,514</u>

Inter-segment sales are charged at prevailing market rates.

### RESULTS

Segment results	672,616	254,601	(180,875)	(33,056)	–	713,286
Discount on acquisition	–	66,140	–	–	–	66,140
Increase in fair value of financial liabilities at fair value through profit or loss						(25,817)
Share of results of associates	11,675	–	–	4,000	–	15,675
Share of result of a jointly controlled entity	–	–	–	(2,904)	–	(2,904)
Finance costs						(107,984)
Profit before taxation						658,396
Taxation						(215,016)
Profit for the year						<u>443,380</u>

	<b>Property development and investment</b>	<b>Hotel operations</b>	<b>Treasury management</b>	<b>Other operations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>BALANCE SHEET</b>					
<b>ASSETS</b>					
Segment assets	4,248,632	4,083,051	741,360	132,050	9,205,093
Interests in associates	43,613	–	–	127,062	170,675
Interests in jointly controlled entities	–	–	–	70,942	70,942
Amounts due from associates	60,712	–	–	21,916	82,628
Amount due from a jointly controlled entity	–	–	–	13,135	13,135
Taxation recoverable					1,889
Unallocated corporate assets					41,599
Consolidated total assets					<u>9,585,961</u>
<b>LIABILITIES</b>					
Segment liabilities	560,944	98,229	146,623	18,255	824,051
Amounts due to associates	13,760	–	–	–	13,760
Amount due to a jointly controlled entity	–	–	–	12,552	12,552
Borrowings					3,260,578
Taxation payable					256,747
Deferred taxation					221,395
Unallocated corporate liabilities					44,734
Consolidated total liabilities					<u>4,633,817</u>
<b>OTHER INFORMATION</b>					
Allowance for bad and doubtful debts	–	3,460	–	–	3,460
Allowance for loans receivables	–	–	–	–	3,900
Capital additions	501,985	838,550	–	–	1,340,535
Depreciation and amortisation	5,270	65,714	–	–	70,984
Doubtful loan receivable recovered	–	–	–	–	–
Decrease in fair value of financial assets at fair value through profit or loss	–	–	154,391	–	154,391
Increase in fair value of financial liabilities at fair value through profit or loss	–	–	–	25,817	25,817
Decrease in fair value in derivative financial instruments	–	–	139,105	–	139,105
Decrease in fair value of investments held for trading	–	–	48,061	–	48,061
Increase in fair value of investment properties	205,562	–	–	–	<u>205,562</u>

2007

	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 <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>				
<b>REVENUE</b>							
External sales	394,217	347,419	63,580	60,441	9,519	–	875,176
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>60,441</u>	<u>9,519</u>	<u>(118,381)</u>	<u>875,176</u>

Inter-segment sales are charged at prevailing market rates.

<b>RESULTS</b>							
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		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 operations	Consolidated
	development	Operations	Loan	Treasury		
	and investment		financing	management		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
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
Consolidated total assets						<u>8,712,356</u>
<b>LIABILITIES</b>						
Segment liabilities	602,033	41,519	–	112,935	15,438	771,925
Amounts due to associates	11,787	–	–	–	98	11,885
Amount due to a jointly controlled entity	–	–	–	–	12,552	12,552
Borrowings						3,483,245
Taxation payable						151,730
Deferred taxation						188,206
Unallocated corporate liabilities						44,717
Consolidated total liabilities						<u>4,664,260</u>
<b>OTHER INFORMATION</b>						
Allowance for bad and doubtful debts	–	–	–	–	36,193	36,193
Allowance for loans receivables	–	–	–	–	3,088	3,088
Allowance for amount due from an associate	–	–	–	–	51,923	51,923
Capital additions	71,649	1,076,393	–	–	–	1,148,042
Depreciation and amortisation	5,899	36,442	–	152	–	42,493
Doubtful loan receivable recovered	–	–	–	57,443	–	57,443
Decrease in fair value of financial assets at fair value through profit or loss	–	–	–	12,926	–	12,926
Increase in fair value of financial liabilities at fair value through profit or loss	–	–	–	68,839	–	68,839
Decrease in fair value in derivative financial instruments	–	–	–	10,402	–	10,402
Decrease in fair value of investments held for trading	–	–	–	7,916	–	7,916
Increase in fair value of investment properties	59,841	–	–	–	–	59,841

### 3. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The taxation charges comprises:		
Current year:		
Hong Kong	29,764	64,473
Other jurisdictions	166,074	10,110
	<u>195,838</u>	<u>74,583</u>
Prior years (over) underprovision:		
Hong Kong	(7,590)	15,183
Other jurisdictions	(6,421)	46,317
	<u>(14,011)</u>	<u>61,500</u>
Deferred taxation	33,189	21,311
	<u>215,016</u>	<u>157,394</u>

### 4. PROFIT FOR THE YEAR

	2008 <i>HK\$'000</i>	2007 <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	11,893	6,609
Allowance for bad and doubtful debts	3,460	36,193
Allowance for loans receivable	3,900	3,088
Allowance for amount due from an associate	–	51,923
Auditor's remuneration	5,661	4,538
Cost of completed properties for sale recognised as an expense	797,186	290,150
Cost of inventories recognised as an expense	–	5,716
Depreciation:		
Owned assets	58,872	35,665
Assets held under finance leases	219	219
(Gain) loss on disposal of property, plant and equipment	(31)	16
Directors' remuneration and other staff costs	105,378	108,931
Share of taxation of associates (included in share of results of associates)	2,716	69
and after crediting:		
Dividend income from listed investments	4,061	4,307
Bank interest income	7,093	4,645
Net foreign exchange gains	9,650	4,187
Rental income, net of outgoings of HK\$16,979,000 (2007: HK\$11,908,000)	<u>50,120</u>	<u>40,950</u>

## 5. DIVIDENDS

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim, paid – HK5 cents (2007: HK4 cents) per share:		
Cash	<b>28,318</b>	30,193
Share alternative under scrip dividend scheme	<b>51,975</b>	28,003
	<hr/> <b>80,293</b> <hr/>	<hr/> 58,196 <hr/>
Final, paid for 2007 – HK8 cents (Final, paid for 2006: HK6 cents) per share:		
Cash	<b>66,573</b>	47,354
Share alternative under scrip dividend scheme	<b>59,923</b>	39,179
	<hr/> <b>126,496</b> <hr/>	<hr/> 86,533 <hr/>
	<hr/> <b>206,789</b> <hr/>	<hr/> 144,729 <hr/>

The final dividend in respect of 2008 of HK10 cents (2007: HK8 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:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of basic earnings per shares	<b>432,905</b>	538,955
Effect of increase (decrease) in fair value of financial liabilities at fair value through profit or loss	<b>25,817</b>	(68,839)
Earnings for the purpose of diluted earnings per share	<b><u>458,722</u></b>	<b><u>470,116</u></b>
	<b>Number of shares '000</b>	Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,555,305</b>	1,450,102
Effect of dilutive potential ordinary shares		
– convertible bonds	<b>173,303</b>	245,051
– share options	<b>9,248</b>	10,433
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>1,737,856</u></b>	<b><u>1,705,586</u></b>

## DIVIDEND

The Directors recommend a final dividend for the year ended 31st March, 2008 of HK10 cents (2007: HK8 cents) per share, representing an increase of 25% 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 22nd August, 2008 amounting to HK\$161,608,295.2 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 22nd August, 2008; 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 22nd August, 2008. 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 1st September, 2008. Dividends warrants or new shares certificates will be posted on or about 30th September, 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 19th August, 2008 to 22nd August, 2008, 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, Tricor Standard Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 18th August, 2008.

## **CORPORATE OVERVIEW**

The Group's property and hotel businesses have remained strong despite further tightening austerity measures imposed by the Central Government and the fallout of sub-prime crisis in the U.S. during the year. With the increased property sales for the year, the profit contributed from our property division was up to HK\$673 million, representing a 741% increase from last year. Benefiting from the overall increased visitors in the region and the Group's well-positioned hotel portfolio, our hotel division posted a total profit contribution of HK\$255 million, an increase of 26% compared with last year.

During the year, the Group acquired two hotel development projects on the Hong Kong Island. The first one is on Jervois Street, Sheung Wan featuring 55-room boutique hotel estimated to be completed in the first quarter of 2010. The second one is a 148-room boutique hotel development project on Hill Road, West Point which is within a walking distance to the University of Hong Kong and is scheduled to open by the end of 2010. After the year-end, the Group further expanded its hotel portfolio by acquiring an industrial building in Kwai Chung. This industrial building will be fully refurnished into a 650-room 4-star hotel. With its opening in early 2010, it will become the largest hotel member of the Group in Hong Kong.

At the beginning of the year, the Group entered into a hotel management contract with a hotel in Penang, Malaysia. Dorestt Penang Hotel is the first hotel to be managed by our Group without the hotel ownership. Furthermore, the Group acquired a hotel in Labuan in October, and branded it as Grand Dorsett Labuan Hotel. Presently, the Group has a total of four hotels in operation with two under development in Malaysia. With an increase of 19.4% in tourist arrivals in 2007 which posted the fourth consecutive year of tourist growth, we are positive on the prospect of tourism in Malaysia and will continue to explore new hotel investment opportunities in the country.

As part of our hotel expansion strategy, we made two major acquisitions for hotel development in China during the year – one in Chengdu and one in Wuhan. Subsequent to the year-end, the Group further expanded its hotel portfolio in China by acquiring a brand new apartment building in Pudong District, Shanghai, for hotel conversion and acquiring a majority interest of a hotel project in Zhuji, Zhejiang Province.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Property Development Division

#### *Mainland China*

Despite of the weak sentiment in Shanghai's property market in general, the property sales of California Garden remain strong. We have sold over 80% of 1,172 residential units launched and over 70% of the sold units were delivered to the purchasers before the year-end.

According to the present development plan, California Gardens still has a balance of about 6,000 residential units to be developed over the next five to six years. The whole project is expected to be finished by 2014.

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 1.5 million square feet. All three projects consist of residential and commercial development and are scheduled to be completed by 2009 and 2010.

#### *Hong Kong*

The Group will continue to focus on property development in China; however, we also seek for attractive property development projects when opportunities arise in Hong Kong. During the year, our luxury residential development, The Cove, was sold as a whole lot for HK\$120 million. By the end of the year, the Group acquired a 88% ownership of an old commercial and residential building in Shamshuipo, Kowloon. According to the plan, it will be developed into a commercial and residential building with a total gross floor area of over 40,000 square feet. Presently, we have six property projects under development.

#### *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 has been completed and 90% of its 133 units have been sold. Northbank Place consists of an office building and two residential towers. The office building has been pre-sold to an investor and 100% of the 385 apartment units has been sold.

### 2. Hotel Division

During the year, the Group opened one new hotel, Grand Dorsett Labuan Hotel, in Malaysia. Our hotel portfolio has now increased from nine hotels to ten hotels and from 2,371 rooms to 2,549 rooms respectively. In addition, the Group has also entered into a hotel management contract to manage a 276-room hotel in Penang, Malaysia.

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. To date, we have five 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 double in terms of the number of hotel rooms.

Apart from expanding our hotel portfolio, we are also dedicated to establishing our own hotel brands. In 2007, the Group's Cosmopolitan Hotel and Lan Kwai Fong Hotel in Hong Kong were awarded as "eMarketer of the Year – Asia Pacific" by the Hospitality Sales & Marketing Association International in the United States and "The Best Boutique Hotel in Asia" by TravelWeekly Asia Industry Awards 2007, respectively. Recently, our Lan Kwai Fong Hotel was recognized as "Hong Kong's Leading Boutique Hotel" by World Travel Awards 2008 and our Central Park Hotel was also nominated for the finalist for the same award.

## **OUTLOOK**

### **1. Property Development Division**

With the continued efforts made by the Central Government by introducing a series of austerity measures over the last few years, the mainland property markets have become less speculative in China. On top of the tightening controls on bank financing and foreign investments in property-related projects in China, the weakening capital markets have created financial pressure on domestic property developers. Due to the lack of debt or equity financing available, we see more distressed property projects for sale in China today. We believe this is the right time for us to expand our land bank in the Mainland.

### **2. Hotel Division**

Being the fourth consecutive year of growth in the number of visitor arrivals, 2007 was another good year for tourism in Hong Kong. According to the Hong Kong Tourism Board, the cumulative visitor arrivals in 2007 reached 28.2 million, representing an 11.6% increase from the previous year. With the depreciation of Hong Kong dollars relative to other currencies and the continuous influx of visitors, we expect tourism in Hong Kong will continue to grow in the foreseeable future.

In China, we believe the increase of both leisure and business travelers are due to the exponential growth. In 2007, there were a total of 131 million inbound tourists, representing a 4.8% increase from prior year. More significantly, the domestic travelers reached 1.6 billion in 2007, as compared to 1.4 billion in 2006 and 1.2 billion in 2005. Hence, the Group will continue to look for new hotel investment opportunities in Hong Kong and China in order to enlarge our hotel portfolio and to strengthen our recurring income base.

## **Subsequent to balance sheet events**

Subsequent to the balance sheet date, the transactions that the Group entered into are as follows:

- i) On 30th April 2008, the Group acquired an industrial building, Topy Tower, in Kwai Chung pursuant to which the Group has conditionally agreed to acquire the building at a consideration of HK\$250 million. The plan is to refurbish the building into a 4-star hotel with 650 rooms. The hotel is scheduled to commence operation in early 2010.
- ii) On 3rd June 2008, the Group entered into a pre-sale contracts, pursuant to which, the Group agreed to purchase a brand new apartment building, namely Jianhua Oriental Apartment, in Pudong District, Shanghai, the PRC, at the consideration of RMB280 million (equivalent to approximately HK\$316.5 million). The building will be converted into a hotel and is scheduled to commence operation in early 2009.
- iii) On 10th July, the Group entered into a joint venture agreement with a domestic corporation, Zhejiang Godeagle Group Co., to acquire a 51% interest in the hotel project in Zhuji City, Zhejiang Province, at the consideration of US\$14.79 million (approximately HK\$ 115.4 million). The hotel is scheduled to begin operation in early 2009.

We consider that these investments 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 Hong Kong and China.

## **FINANCIAL REVIEW**

Revenue for the financial year of 2008 was increased by 147% to HK\$2,160 million with gross operating profit and net profit were HK\$1,079 million and to HK\$443 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\$347 million last year to HK\$612 million this year, representing an increase of 76%. Owing to the increased contribution from our property development in Shanghai, the total property sales for this year increased to HK\$1,334 million from last year's HK\$335 million.

Gross profit rose to HK\$1,079 million, a 149% 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.

Net profit was reported at HK\$443 million, decrease from last year's HK\$536 million. Such profit drop was mainly related to the fair value adjustments. Excluding all fair value adjustments and revaluation, net profit would be HK\$605 million, up 50% from last year's HK\$402 million.



## FINANCIAL RESOURCES AND LIQUIDITY

### Borrowings and charge on Group assets

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank loans	2,467,647	1,866,801
Bank overdrafts	–	6,582
Financial liabilities at fair value through profit or loss	430,123	838,336
Mortgage loans	208,283	456,282
Obligations under finance leases	1,821	1,836
Other loans	152,704	313,408
	<u>3,260,578</u>	<u>3,483,245</u>
Analysed as:		
Secured	2,830,455	2,644,909
Unsecured	430,123	838,336
	<u>3,260,578</u>	<u>3,483,245</u>
The above borrowings are repayable as follows:		
On demand or within one year	1,449,846	2,078,909
Amount due after one year	1,810,732	1,404,336
	<u>3,260,578</u>	<u>3,483,245</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 99% 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.

No conversion rights were exercised by the holders of US\$ Bonds during the year. During the year ended 31st March, 2007, an aggregate principal amount of US\$1,000,000 (equivalent to approximately HK\$7,793,000) of convertible bonds were converted into ordinary shares of the Company.

Presently, the Company has another zero coupon convertible bonds with an issued size of HK\$754 million. The conversion price is subsequently adjusted to HK\$2.96, an aggregate principal amount of HK\$359,720,000 (2007: Nil) of the convertible bond were converted into ordinary shares of the Company during the year. The fair value of the convertible bond denominated in Hong Kong dollars amounted to HK\$428,175,000 (2007: HK\$836,388,000).

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.

## Contingent Liabilities and Commitments

### Contingent Liabilities

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, 2008, the total amount of mortgages outstanding which are subject to these guarantees was HK\$354,419,000 (2007: HK\$40,406,060). 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.

### Capital Commitments

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development for sale	719,850	1,136,198
Hotel properties	611,695	–
Others	14,164	4,329
	<u>1,345,709</u>	<u>1,140,527</u>
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	–	426,090
Hotel properties	73,636	11,315
	<u>73,636</u>	<u>437,405</u>
	<u><u>1,419,345</u></u>	<u><u>1,577,932</u></u>

### Gearing ratio

The gearing ratio (total bank and other borrowings and financial liabilities at fair value through profit or loss and convertible bonds to shareholders' equity) as at 31st March, 2008 was 66% (2007: 87%).

## **Current ratio**

The current ratio as at 31st March, 2008 was 1.2 (2007: 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\$4,989,610,000 (2007: HK\$4,205,899,000), HK\$107,338,397 (2007: HK\$101,821,000) and HK\$764,000 (2007: HK\$731,000) 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 to the extent of approximately HK\$4,358,882,000 (2007: HK\$3,854,548,000).

The Group's bank deposits of approximately HK\$3,165,000 in 2007 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 in prior year.

- (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\$167,669,000 (2007: HK\$365,640,000) 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\$732,771,000 (2007: HK\$1,011,087,000), of which HK\$152,704,000 (2007: HK\$83,621,000) 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 (2007: 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, 2008 was approximately 1,600. 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 2008, 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 three 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 2006 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, 2008.

## **AUDIT COMMITTEE**

The Audit Committee comprises of three Independent Non-executive Directors. The Audit Committee has reviewed the 2007/2008 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

During the year, the Company has purchased a total of 6,000,000 shares on the Stock Exchange and details of which are as follows:

Month of Repurchase	Number of Shares Repurchased	Price per share		Aggregate
		Highest	Lowest	Consideration paid
		HK\$	HK\$	HK\$
December 2007	1,000,000	4.21	3.86	3,998,470
March 2008	5,000,000	3.00	2.38	13,705,800

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares 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](http://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](http://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, 2008 and will be available at each of the website of the Stock Exchange and the Company at the same time.

On behalf of the Board

**BILL KWAI PUI MOK**

*Chief Financial Officer and Company Secretary*

Hong Kong, 18th July, 2008

*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.*