



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 SIX MONTHS ENDED 30TH SEPTEMBER, 2008

INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2008 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30th September		
	2008	2007	Change
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	
Revenue	861.3	692.8	24%
Gross profit	428.3	378.4	13%
Profit before investment properties revaluation, and excluding financial assets and liabilities revaluation, results of treasury operations and discount on acquisitions	268.2	220.6	22%
Profit before taxation	101.4	304.3	(67%)
Profit attributable to shareholders	34.8	255.2	(86%)
Earnings per share	2.2 cents	16.9 cents	
Dividend per share	1 cent	5 cents	

Building Foundations For Sustainable Growth

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

		Six months ended	
		30.9.2008	30.9.2007
		(unaudited)	(audited)
	<i>NOTES</i>	HK\$'000	HK\$'000
Revenue	3	861,251	692,759
Depreciation and amortisation		(30,649)	(30,685)
Other cost of sales and services		(402,279)	(283,709)
		<hr/>	<hr/>
Gross profit		428,323	378,365
Other income		10,371	11,396
Administrative expenses		(127,337)	(122,252)
(Loss) gain on disposal of available-for-sale investments		(41,175)	40,998
(Decrease) increase in fair value of financial assets at fair value through profit or loss		(97,415)	4,146
Decrease (increase) in fair value of financial liabilities at fair value through profit or loss		31,061	(67,754)
Decrease in fair value of derivative financial instruments		21,650	221
(Decrease) increase in fair value of investments held for trading		(30,362)	35,480
(Decrease) increase in fair value of investment properties		(50,583)	4,440
Discount on acquisition of a subsidiary		–	66,140
Share of results of associates		4,895	7,934
Share of results of jointly controlled entities		(1,452)	6,285
Finance costs		(46,613)	(61,137)
		<hr/>	<hr/>
Profit before taxation		101,363	304,262
Income tax expense	4	(63,232)	(49,488)
		<hr/>	<hr/>
Profit for the period	5	38,131	254,774
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		34,809	255,199
Minority interests		3,322	(425)
		<hr/>	<hr/>
		38,131	254,774
		<hr/> <hr/>	<hr/> <hr/>
Dividends	6	–	126,496
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	7		
Basic		2.2 cents	16.9 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		0.2 cents	16.8 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2008

	30.9.2008	31.3.2008
	(unaudited)	(audited)
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Investment properties	1,787,938	1,936,939
Property, plant and equipment	2,631,090	2,598,266
Prepaid lease payments	1,364,495	1,115,311
Interests in associates	170,014	170,675
Interests in jointly controlled entities	69,490	70,942
Available-for-sale investments	99,676	93,802
Financial assets designated at fair value through profit or loss	96,268	264,384
Deposit for acquisition of hotel properties	203,730	97,249
Amounts due from associates	90,069	82,221
Amount due from an investee company	119,995	119,995
Amount due from a minority shareholder	563	563
Loans receivable, secured	1,942	2,110
	6,635,270	6,552,457
Current assets		
Inventories	2,299	1,805
Completed properties for sale	560,060	759,407
Properties under development for sale	1,497,108	1,201,666
Available-for-sale investments	33,661	72,101
Investments held for trading	42,336	71,277
Financial assets designated at fair value through profit or loss	60,106	166,103
Loans receivable, secured	59,330	1,154
Debtors, deposits and prepayments	201,857	167,580
Prepaid lease payments	21,263	20,141
Amount due from a jointly controlled entity	14,092	13,135
Amounts due from associates	4,252	407
Amount due from a related company	4,531	4,773
Amount due from a minority shareholder	1,452	107
Tax recoverable	11,023	1,889
Pledged bank deposits	182,021	107,339
Deposits with financial institutions	158,682	36,296
Bank balances and cash	1,305,748	408,324
	4,159,821	3,033,504

	<i>NOTES</i>	30.9.2008 (unaudited) HK\$'000	31.3.2008 (audited) HK\$'000
Current liabilities			
Creditors and accruals	9	262,377	279,855
Customers' deposits received		131,798	349,050
Amounts due to directors		2,559	3,352
Amounts due to related companies		44,361	43,548
Amounts due to associates		14,773	13,760
Amounts due to minority shareholders		28,935	29,665
Financial liabilities designated at fair value through profit or loss		370,232	430,123
Derivative financial instruments		22,317	141,038
Tax payable		186,416	256,747
Obligations under finance leases		2,275	1,247
Bank and other borrowings, secured		1,142,858	1,018,476
		<u>2,208,901</u>	<u>2,566,861</u>
Net current assets		<u>1,950,920</u>	<u>466,643</u>
Total assets less current liabilities		<u>8,586,190</u>	<u>7,019,100</u>
Capital and reserves			
Share capital		160,701	161,941
Share premium		2,018,083	2,042,873
Reserves		2,649,564	2,707,863
		<u>4,828,348</u>	<u>4,912,677</u>
Equity attributable to equity holders of the Company		4,828,348	4,912,677
Minority interests		44,142	39,467
		<u>4,872,490</u>	<u>4,952,144</u>
Non-current liabilities			
Amounts due to a minority shareholder		20,794	22,277
Amount due to a jointly controlled entity		12,552	12,552
Deferred taxation		204,870	221,395
Obligations under finance leases		574	574
Bank and other borrowings, secured		3,474,910	1,810,158
		<u>3,713,700</u>	<u>2,066,956</u>
		<u>8,586,190</u>	<u>7,019,100</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

1. BASIS OF PREPARATION

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

2. 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.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2008.

In the current interim period, the Group has applied, for the first time, the following amendments, new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendments)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

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

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKAS 1 results in change in presentation of primary statements of financial statements and HKFRS 8 results in a change in the basis of reporting of segment information. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three major operating divisions-property development and investment, hotel operations, and financial products investment. These divisions are the basis on which the Group reports its primary segment information. Other operations include sale of boiler products and interest income from deposits and loan receivables.

Principal activities are as follows:

Property development and investment	–	properties development, letting and sale
Hotel operations	–	hotel operations and management
Financial products investments	–	investment and trading in securities

Six months ended 30th September, 2008

	Property development and investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial products investments <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	507,194	318,232	33,803	2,022	–	861,251
Inter-segment sales	19,612	–	–	–	(19,612)	–
Total revenue	<u>526,806</u>	<u>318,232</u>	<u>33,803</u>	<u>2,022</u>	<u>(19,612)</u>	<u>861,251</u>

Inter-segment sales are charged at mutually agreed price.

RESULTS

Segment results	137,935	106,437	(107,759)	(962)		135,651
Unallocated corporate expenses						(22,179)
Decrease in fair value of financial liabilities designated at fair value through profit or loss	–	–	31,061	–		31,061
Share of results of associates	2,882	–	–	2,013		4,895
Share of results of jointly controlled entities	–	–	–	(1,452)		(1,452)
Finance costs						(46,613)
Profit before taxation						101,363
Income tax expenses						(63,232)
Profit for the period						<u>38,131</u>

Six months ended 30th September, 2007

	Property development and investment	Hotel operations	Financial products investments	Other operations	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE						
External sales	345,163	268,206	79,104	286	–	692,759
Inter-segment sales	14,618	–	–	–	(14,618)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	359,781	268,206	79,104	286	(14,618)	692,759
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Inter-segment sales are charged at mutually agreed price.

RESULTS						
Segment results	114,699	102,377	163,028	806		380,910
Unallocated corporate expenses						(28,116)
Discount on acquisition of a subsidiary	–	66,140	–	–		66,140
Increase in fair value of financial liabilities designated at fair value through profit or loss	–	–	(67,754)	–		(67,754)
Share of results of associates	7,889	–	–	45		7,934
Share of results of jointly controlled entities	–	–	–	6,285		6,285
Finance costs						(61,137)
						<hr/>
Profit before taxation						304,262
Income tax expenses						(49,488)
						<hr/>
Profit for the period						254,774
						<hr/> <hr/>

4. Income Tax Expenses

	Six months ended	
	30.9.2008 (unaudited) HK\$'000	30.9.2007 (audited) HK\$'000
The tax charge comprises:		
Current period:		
Hong Kong	11,270	36,804
PRC Enterprises Income Tax	67,767	1,317
Other jurisdictions	11	208
	<u>79,048</u>	<u>38,329</u>
Underprovision in prior periods:		
Hong Kong	708	3,410
Other jurisdictions	–	1,835
	<u>708</u>	<u>5,245</u>
Deferred taxation		
Current period	(4,250)	5,914
Attributable to a change in tax rate	(12,274)	–
	<u>(16,524)</u>	<u>5,914</u>
	<u>63,232</u>	<u>49,488</u>

Hong Kong Profits Tax, PRC Enterprises Income Tax and taxation arising in other jurisdictions are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th September, 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The tax charge for the year includes land appreciation tax of HK\$39,066,000 (six months ended 30th September, 2007: Nil).

On 16th March, 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change tax rate from 33% to 25% from 1st January, 2008.

5. PROFIT FOR THE PERIOD

Six months ended
30.9.2008 30.9.2007
HK\$'000 **HK\$'000**

Profit for the period has been arrived at after charging (crediting):

Amortisation of investment in a jointly controlled entity (included in share of results of jointly controlled entities)	1,452	1,452
Amortisation of prepaid lease payments	5,870	5,162
Allowance for loans receivable	–	3,900
Allowance for bad and doubtful debts	4,630	3,071
Depreciation on property, plant and equipment	28,259	27,625
Share of taxation of associates (included in share of results of associates)	(37)	427
Dividend income from listed investments	(3,488)	(2,311)
Bank interest income	(3,634)	(4,393)
	<u>(3,634)</u>	<u>(4,393)</u>

6. DIVIDENDS

A final dividend of HK8 cents per share for the year ended 31st March, 2007 amounting to HK\$126,496,000 was paid to the shareholders during the six months ended 30th September, 2007.

Subsequent to 30th September, 2008, the directors declared an interim dividend of HK1 cent (30th September, 2007: HK5 cents) per share payable to the shareholders of the Company whose names appear in the Register of Members on 12th January, 2009.

Shareholders have an option to receive new shares of the Company in lieu of cash for the interim dividend declared for the period and the final dividend paid during the period.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2008 (unaudited) HK\$'000	30.9.2007 (audited) HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	34,809	255,199
Effect of convertible bonds – decrease in fair value of financial liabilities designated at fair value through profit or loss	(31,061)	–
Earnings for the purpose of diluted earnings per share	<u>3,748</u>	<u>255,199</u>
	<i>Number of shares '000</i>	Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,613,961	1,505,868
Effect of dilutive potential ordinary shares		
– convertible bonds	134,312	–
– share options	–	9,228
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,748,273</u>	<u>1,515,096</u>

The computation of diluted earnings per share for the six months ended 30th September, 2008 does not assume the conversion of outstanding share options, since the exercise price of the Company's option was higher than the average market price for shares for the period.

The computation of diluted earnings per share for the six months ended 30th September, 2007 does not assume the conversion of convertible bonds, since their conversion would result in an increase in earnings per share for the prior period.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of approximately HK\$37,234,000 (31.3.2008: HK\$49,202,000). The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade debtors, based on the invoice date, at the balance sheet dates:

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	30,108	42,069
61-90 days	4,059	1,454
Over 90 days	3,067	5,679
	<hr/> 37,234 <hr/>	<hr/> 49,202 <hr/>

9. CREDITORS AND ACCRUALS

The creditors and accruals included trade creditors of HK\$111,691,000 (31.3.2008: HK\$131,144,000).

The following is an aged analysis of trade creditors at the balance sheet dates:

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	40,604	21,804
61-90 days	414	670
Over 90 days	70,673	108,670
	<hr/> 111,691 <hr/>	<hr/> 131,144 <hr/>

INTERIM DIVIDEND

The Board of Directors (“Board”) has declared an interim dividend of HK1 cent per share for the six months ended 30th September 2008. The interim dividend of HK1 cent per share will be paid to shareholders whose names appear on the Company’s Register of Members on 12th January, 2009. The interim dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all part of their scrip dividend entitlements (“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 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 16th January, 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 23rd January, 2009. Dividends warrants or new share certificates will be posted on or about 27th February, 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 12th January, 2009 to Monday, 16th January, 2009, both days inclusive, during which period no transfer of shares will be effected. To determine entitlement to the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 9th January, 2009.

CORPORATE OVERVIEW

The principal businesses of the Group are property development and hotel development & operations. The Group also holds investment properties for rental income.

The Group currently has 13 hotels with more than 3,000 rooms in operations and a further 9 hotels under construction. Upon completion of all existing hotel projects, the Group will double its existing room capacity to more than 6,000 rooms and will become one of the largest hotel groups in this region. On property development, the Group has a total of twelve property projects under development. Key development projects include California Garden in Shanghai with a total attributable gross floor area of 10 million square feet, 3 residential projects in Guangzhou with a total attributable gross floor area of 1 million square feet and North Bank Place in central Melbourne, a development project with an office building and 384 apartments.

The Group principal operations are located in Hong Kong, mainland China and South East Asia and Australia.

The Group will continue to focus on strengthening its recurring income stream, building its development pipelines and is actively looking for acquisition opportunities. With a cash position of over HK\$1.6 billion as at 30th September 2008, it is well-equipped to capture value enhancing opportunities in this current environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. Hotel Division

During the period under review our hotel division performed strongly with revenue contribution of HK\$318 million, an increase of 19% compared to the same period last year. Hotel occupancy and average room rate were generally higher with an increase in the number of business and leisure travelers. The Group added 2 new hotels to its portfolio and a further 2 on 1st October 2008. The earning stream from these 4 hotels will be reflected more fully in the 2nd half of the financial year ending 31st March 2009.

2. Property Development Division

During the period under review, revenue from the Group's Property Development Division was HK\$456 million, an increase of 47% compared to the same period last year. Gross profit contribution was HK\$181 million, a 47% improvement compared to the same period last year.

China

The largest property development project in our group, namely California Garden, progressed smoothly in accordance with our plan. As at 30th September 2008, over 86% of phase 11, that is 1,172 units were sold. We are optimistic on the sale of the remaining 164 units, mainly townhouses, with the opening of a new nearby subway stations in 2009. The construction work of the new phase, which consists of over 1,000 units, has commenced.

Our three residential projects in Guangzhou, with a total attributable gross floor area of over 1 million square feet, are progressing steadily. The timing of launch of these three projects is currently scheduled within the next two years subject to market conditions.

Australia

In Australia, The Royal Domain Tower project, a 42-storey high-rise development comprising 133 luxury residential apartments with gross floor area of approximately 700,000 square feet was over 90% sold as at 30th September 2008.

Northbank Place, a central Melbourne development project consisting of an office building with a lettable area of over 110,000 square feet and two residential towers consisting of 384 apartments is near its completion phase. The construction commenced in April 2007 and is expected to be completed before the end of current financial year. All the residential units and the office building have been sold with the revenue recognition expected to come through in the next 12 months.

We have recently signed an agreement to acquire a piece of land with an area of approximately 100,000 square feet in prime central Melbourne. Planning is currently underway and the project is expected to contribute significantly to our development profit in Australia in the coming years.

Our Australian property development division also has a 22.5% interest in an 88 unit residential development under construction in Bundoora, a suburb of Melbourne, and has also acquired further land for a 92 unit residential development in Northcote, a suburb of Melbourne.

Hong Kong

During the period under review, currently, we have seven residential projects under development with a total attributable gross floor area of approximately 2.4 million square feet. Within the seven projects, one of the deluxe house projects with 4 detached houses in Sai Kung is expected to be ready for sale in the 2nd half year of 2009. Another two high rise apartment projects located at Hill Road, Mid-levels West and Sai Yeung Choi Street North, Shamshuipo respectively with total around 200 units will be launched for sale in the 1st half year of 2011.

Outlook

1. Hotel Division

According to the visitor arrival figures provided by the Hong Kong Tourism Board, the cumulative arrivals for the first ten months of 2008 exceeded 24.3million, representing a year-on-year increase of 6%. This has been the fifth consecutive year to show increase in visitor arrivals since 2003.

The Group has been strategically positioning itself as the leading 3-4 star hotel developer and operator in the region. Whilst there are impacts on hotel operations caused by the recent financial crisis, our emphasis on the value-for-money segment has helped us to minimize the effect from the economic downturn. Presently, the Group has 9 hotel projects under development with a total of 3,000 new room capacities. This includes 5 hotels in Hong Kong, 4 in China. We expect all these hotels will be opened within the next 2-3 years. By 2012, the Group will own and operate 22 hotels with over 6,000 rooms making us one of the largest hotel groups in the region. With the doubling of our hotel room capacity, significant benefits from economic of scale will be generated. With the additions of new hotels to our portfolio, we expect contribution from our hotel division will increase substantially in the coming years.

2. Property Development Division

China and Australia will continue to be key revenue contributors to the Group property development revenue in the next few years. For California Garden, a total of over 6,000 units or approximately 10 million square feet will be developed under the current development plan and the entire project is expected to be completed by 2012. For Australia, completion of the Northbank project and new land acquisition in Melbourne will pave the way for increased revenue contribution from our Australian division in the coming years.

With the global economic downturn, we expect the property market will be challenging. Countering the effect is the lowering of interest rate around the world which will help alleviate the negative conditions. In addition, the China Government is likely to continue to relax the austerity measures which should help the property sector in mainland China. Longer term, we maintain our positive long-term view of the China's middle-class housing market and will continue to invest in this segment of the market.

3. Other Operations

The Group has been taking active steps to reduce its exposure to treasury operations that caused fluctuations in earnings. As at 30th November 2008, total exposure of the Group to treasury operations was reduced to HK\$241 million. Of this, HK\$118 million was exposure to fixed income related instruments. The Group will continue to reduce its treasury positions going forward.

Conclusion

The Group is committed to building a significant platform which can bring sustainable profit growth to its shareholders. The Group believes that with the foundation it has laid in previous years, it is well equipped to achieve its objective.

The Group has been cautious and selective in building its development pipeline in the past. The Group has proven track record to capture good opportunities during economic downturn to expand our business. The hotel business, a core contributor to the Group's earning, started its rapid development during the outbreak of SARS in Hong Kong.

The Group's positioning as a 3-4 star hotel operator has helped the Group to weather the negative impact of the financial crisis as consumer turn to value-for-money hotels. In addition, the low entry costs for our hotel assets help the operation to maintain profitability and minimize the negative impact from economic downturn.

As at 30th September 2008, the number of employees of the Group was approximately 1,500. In the coming year, we will need to recruit around 1,500 more staff to facilitate our business expansion.

A substantial portion of our current development projects have been pre-sold. The Group believes that the current market environment presents good opportunities for it to expand its development pipeline which will generate good long term returns. One of the priorities of the Group currently is to enhance its recurring cashflow stream. In addition to the organic build up of its income generating portfolio, the Group at the right moment will consider to expand its operations through acquisitions. The Group believes next year will be favourable for such initiative.

The Group is confident that with the implementation of its plan, it is well positioned to bring sustainable long term return to its shareholders.

FINANCIAL RESOURCES AND LIQUIDITY

Borrowings and charge on Group assets

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
The borrowings comprise:		
Bank loans	4,001,456	2,467,647
Mortgage loans	401,546	208,283
Other loans	276,983	152,704
	4,679,985	2,828,634
Less: front-end fee	(62,217)	–
	4,617,768	2,828,634
	=====	=====
Analysed for reporting purposes as:		
Non-current assets	3,474,910	1,810,158
Current assets	1,142,858	1,018,476
	4,617,768	2,828,634
	=====	=====

Financial liabilities at fair value through profit or loss

Convertible bonds denominated in United States dollars

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible bond listed in Hong Kong denominated in:		
– Hong Kong dollars (note i)	368,324	428,175
– United States dollars (note ii)	1,908	1,948
	<u>370,232</u>	<u>430,123</u>

- (i) On 10th December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,000,000 (the “HK\$ Bonds”) maturing on 10th December, 2009. The holders of the HK\$ Bonds are entitled to convert the HK\$ Bonds into ordinary shares of the Company at an initial conversion price of HK\$4.10 (subsequently adjusted to HK\$2.96 and subsequent to 30th September, 2008 from HK\$2.96 to HK\$2.81) per share, during the period from 11th January, 2007 to 10th November, 2009, or to require the Company to redeem all or some of the HK\$ Bonds on 10th December, 2008 at 104.58% of their principal amount. The Company may redeem in full the remaining HK\$ Bonds on or at any time after 10th June, 2007 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK\$ Bonds will be redeemed at 111.84% of their principal amount on maturity.

At 30th September 2008, HK\$364,680,000 (31.3.2008: HK\$394,680,000) of the principal amount of HK\$ Bonds was outstanding. During the period, the Company repurchased HK\$30,000,000 at a price of HK\$28,830,000 but no conversion rights were exercised by the holders of the HK\$ Bonds.

- (ii) On 13th April 2004, the Company issued zero coupon convertible bonds with a principal amount of US\$66,989,000 (the “US\$ Bonds”) maturity on 13th April, 2009. The holders of the US\$ Bonds are entitled to convert the US\$ Bonds into ordinary shares of the Company at an initial conversion price of HK\$2.25 (subsequently adjusted to HK\$2.00 and subsequent to 30th September, 2008 from HK\$2.00 to HK\$1.899) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem in full the US\$ Bonds on 13th April, 2007 at 102.01% of their principal amount. The Company may redeem in full the remaining US\$ Bonds, on or at any time after 13th April, 2007 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US\$ Bonds will be redeemed at 105.10% of their principal amount on maturity.

During the period ended 30th September, 2008, no conversion rights were exercised by the holders of the US\$ Bonds.

Contingencies and commitments

Contingent liabilities

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

The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC amounting to HK\$153,207,000 (31.3.2008: HK\$354,419,000). The director considered that the fair values of the guarantee at their initial recognition are insignificant because of the short maturity periods of the loan and low default rates of mortgage loans.

Capital commitments

	30.9.2008 <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of:		
Hotel properties and hotel properties under development	714,686	611,695
Others	965	14,164
	<hr/> 715,651	<hr/> 625,859
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties	90,000	73,636
	<hr/> 805,651	<hr/> 699,495
Expenditure contracted but not provided for in the condensed consolidated financial statements in respect of properties for sales	<hr/> 665,493	<hr/> 719,850

Gearing ratio

The gearing ratio (total bank and other borrowings and financial liabilities at fair value through profit or loss to shareholders' equity) as at 30th September, 2008 was 103% (31st March, 2008: 66%).

Current ratio

The current ratio as at 30th September, 2008 was 1.9 (31st March, 2008: 1.2). 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, property, plant and equipment and prepaid lease payments with an aggregate carrying amount of approximately HK\$5,460,403,000 (31.3.2008: HK\$4,989,610,000), bank deposits with an carrying amount of approximately HK\$182,021,000 (31.3.2008: HK\$107,338,000) and available-for-sales investments with an carrying amount of Nil (31.3.2008: HK\$764,000), were pledged to Group's bankers and loan creditors to secure banking and loan facilities granted to the Group to the extent of approximately HK\$5,253,948,000 (31.3.2008: HK\$3,626,111,000) of which HK\$4,403,002,000 (31.3.2008: HK\$2,675,930,000) were utilised.
- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, and deposits with financial institutions with an aggregate carrying amount of approximately HK\$256,184,000 (31.3.2008: HK\$192,598,000) 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\$677,852,000 (31.3.2008: HK\$732,771,000), of which HK\$276,983,000 (31.3.2008: HK\$152,704,000) were utilised.

Post balance sheet event

- 1) On 1st October, 2008, the Group acquired certain subsidiaries incorporated in Malaysia with principal activities of hotel operation from a director. The consideration was satisfied by the issue of the zero coupon convertible bond (the "New Bonds") with a principal amount of HK\$331,445,000 and maturing five years after the date of issue. The holders of the New Bonds are entitled to convert the bonds into ordinary shares of the Company at an initial conversion price of HK\$4.3 per share (subject to adjustment) until maturity.
- 2) In November 2008, the Group acquired certain lands in Australia at a consideration of approximately A\$33,100,000 (equivalent to HK\$165,200,000). The lands are intended to hold for sales after completion of development.
- 3) Subsequent to the period end, the Company repurchased a total of HK\$278,000,000 in principal amount of the HK\$ Bonds at prices ranging from 88.83% to 96.10% giving a total consideration of HK\$222,440,900.

- 4) Due to the recent global financial crisis, foreign currencies in particular, the Australia dollars & the value of the Group's financial instruments have decreased substantially subsequent to balance sheet date. Should the Group's derivative and non-derivative financial assets and liabilities at 30th September, 2008 not been disposed of as at 30th November, 2008, the latest practicable date prior to approval of the condensed consolidated financial statements, the profits and net assets of the Group would have been decreased by approximately HK\$18,000,000 and HK\$29,000,000 respectively, and the Group's net assets would have been decreased by approximately HK\$51,000,000 due to the fluctuation of Australian dollars.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30th September, 2008 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 PRACTICE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the rules governing the listing of securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30th September 2007, except for the deviations from code provisions A.4.1 and A.4.2 of the Code described below.

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, does 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 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 order to uphold good corporate governance practices, the Chairman voluntarily retired from his office and offered himself for re-election at the 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.

REPURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the period under review, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2008	1,825,000	3.0	2.72	5,178,000
May 2008	904,000	2.8	2.62	2,468,000
June 2008	600,000	2.58	2.55	1,536,000
July 2008	4,320,000	2.0	1.82	8,460,000
August 2008	3,748,000	1.9	1.7	6,906,000
September 2008	1,000,000	1.51	1.43	1,482,000

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 six months ended 30th September, 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30th September, 2008 approved by the Directors. The Audit Committee currently comprises three members, all of them are Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Jian Yin JIANG and Mr. Peter Man Kong WONG.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 six months ended 30th September, 2008.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM 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 Interim Report will be despatched to the shareholders on or about 24th December, 2008 and will be available at the Stock Exchange’s and the Company’s website at the same time.

On behalf of the Board

BILL KWAI PUI MOK

Chief Financial Officer and Company Secretary

Hong Kong, 10th December, 2008

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