



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)
Website: <http://www.fareastconsortium.com.hk>
Stock Code: 35

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2005

HIGHLIGHTS OF FINAL RESULTS OF FY2005

- Net profit rose 169% to approximately HK\$400 million.
- Basic earnings per share up 124% to HK32 cents
- Final dividend of HK5 cents, was proposed

RESULTS

The Board of Directors of Far East Consortium International Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2005 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	2	547,087	819,859
Cost of sales		(377,022)	(521,842)
Gross profit		170,065	298,017
Other operating income		59,830	23,846
Selling and distribution costs		(4,719)	(9,900)
Administrative expenses		(148,930)	(125,625)
Unrealised holding gain on trading securities		560	3,443
Profit on disposal of investment properties		201,362	-
Revaluation increase (decrease) of investment properties		166,952	(2,229)
Impairment losses reversed on property, plant and equipment		-	13,002
Allowance for amount due from an associate		(16,000)	-
Profit (loss) on disposal of property, plant and equipment		33,090	(3,467)
Revaluation increase on hotel properties		-	5,369
Loss on disposal of club membership		-	(1,815)
Amortisation of goodwill arising on acquisition of associates		(582)	(582)
Amortisation of negative goodwill		7,693	7,693
Profit on disposal of subsidiaries		-	5,690
Profit on deemed disposal of a subsidiary		-	11,514
Gain on disposal of an associate		451	36,422
Share of results of associates		16,394	(12,937)
Share of results of a jointly controlled entity		(792)	(332)
Finance costs		(38,741)	(34,376)
Profit before taxation		446,633	213,733
Taxation	3	(41,054)	(61,326)
Profit before minority interests		405,579	152,407
Minority interests		(5,109)	(2,983)
Profit for the year		400,470	149,424
Dividends	4	112,479	58,265
Earnings per share	5	32.0 cents	14.3 cents
- Basic		32.0 cents	14.3 cents
- Diluted		30.7 cents	N/A

Notes:

1. Adoption of new Hong Kong Financial Reporting Standards and potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has early adopted the following HKFRSs in the preparation of the financial statements for the year ended 31st March, 2005:

HKAS 40	Investment Properties
Interpretation 21 ("HK-Int 21")	Income Taxes - Recovery of Revalued Non-Depreciable Assets

The principal effect of the early adoption of HKAS 40 and HK-Int 21 is that all changes in fair value of investment properties are recognised in the income statement and deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use. In previous years, the changes in fair value of investment properties were taken directly to investment properties revaluation reserve on a portfolio basis to the extent that the reserve remained in surplus.

The Group has applied HKAS 40 and HK-Int 21 retrospectively and comparative amounts have been restated accordingly. As a result of this change in accounting policies, the Group's retained profit has been increased by HK\$17,248,000 and the Group's investment properties revaluation reserve has been decreased by HK\$55,975,000 at 1st April, 2003. This change has resulted in an increase in the Group's profit for the year of HK\$128,396,000 (2004: a decrease of HK\$8,455,000), and decrease in the Group's investment properties revaluation reserve of HK\$166,952,000 (2004: an increase of HK\$22,229,000).

In addition, HKFRS 3 "Business Combination" has been adopted by the Group for business combinations for which the agreement date is on or after 1st January, 2005. The first transaction to which HKFRS 3 has been applied by the Group is the acquisition of Grand Expert Limited in February 2005. Such adoption has had no significant impact on the Group's financial statements for the year ended 31st March, 2005. In accordance with the transitional rules of HKFRS 3, the Group will apply the revised accounting policy of goodwill prospectively from the beginning of its first annual period beginning on or after 1st January, 2005, i.e. 1st April, 2005, to goodwill acquired in business combinations for which the agreement date was before 1st January, 2005.

Other than as mentioned above, the Group has not early adopted other new HKFRSs in the financial statements for the year ended 31st March, 2005. The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether other new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These other new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. Turnover and segment information

Business segments

For management purposes, the Group is currently organised into four operating divisions - property development and investment, hotel operations and relevant loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations 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

Segment information about these businesses is presented below:

	Property development and investment		Hotel		Treasury management	Other operations	Eliminations	Consolidated
	Investment	Operations	Loan financing	management	operations			
2005	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	387,110	59,108	61,560	13,590	25,719	-	-	547,087
Inter-segment sales	33,090	-	-	-	-	(33,090)	-	-
Total turnover	420,200	59,108	61,560	13,590	25,719	(33,090)	-	547,087
Inter-segment sales are charged at prevailing market rates.								
RESULTS								
Segment results	155,085	2,083	59,281	7,363	20,026	-	-	243,758
Profit on disposal of investment properties	201,362	-	-	-	-	(16,800)	-	201,362
Allowance for amount due from an associate	-	-	-	-	-	-	-	(16,800)
Profit (loss) on disposal of property, plant and equipment	-	33,662	-	-	-	(572)	-	33,090
Amortisation of goodwill arising on acquisition of associates	-	-	-	-	-	(582)	-	(582)
Amortisation of negative goodwill	7,693	-	-	-	-	-	-	7,693
Gain on disposal of an associate	-	-	-	-	-	451	-	451
Share of results of associates	21,983	-	-	-	-	(5,890)	-	16,394
Share of results of a jointly controlled entity	-	-	-	-	-	(792)	-	(792)
Finance costs	(31,580)	(5,860)	(227)	(440)	-	(714)	-	(38,741)
Profit before taxation	354,543	29,805	59,854	6,923	(3,772)	(4,880)	-	446,633
Taxation	(23,972)	(13,472)	-	470	-	-	-	(41,054)
Profit before minority interests	330,571	16,413	59,854	7,393	(7,852)	-	-	405,579

Segment information about these businesses is presented below:

	Property development and investment		Hotel		Treasury management	Other operations	Eliminations	Consolidated
	Investment	Operations	Loan financing	management	operations			
2004	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	713,170	36,095	35,046	10,805	24,743	-	-	819,859
Inter-segment sales	30,887	-	-	-	-	(30,887)	-	-
Total turnover	744,057	36,095	35,046	10,805	24,743	(30,887)	-	819,859
Inter-segment sales are charged at prevailing market rates.								
RESULTS								
Segment results	188,520	(4,190)	31,503	(17,819)	(5,093)	-	-	192,921
Impairment losses reversed on properties, plant and equipment	13,002	-	-	-	-	-	-	13,002
Loss on disposal of property, plant and equipment	(3,467)	-	-	-	-	(3,467)	-	(3,467)
Loss on disposal of club membership	-	-	-	-	-	(1,815)	-	(1,815)
Amortisation of goodwill arising on acquisition of associates	-	-	-	-	-	(582)	-	(582)
Amortisation of negative goodwill	7,693	-	-	-	-	-	-	7,693
Profit on disposal of a subsidiary	5,690	-	-	-	-	-	-	5,690
Profit on deemed disposal of subsidiaries	11,514	-	-	22,558	9,103	-	-	36,422
Gain on disposal of an associate	4,674	-	-	(15,626)	(8,287)	-	-	(12,937)
Share of results of associates	10,976	-	-	-	(332)	-	-	10,976
Share of results of a jointly controlled entity	-	-	-	-	(791)	-	-	(791)
Finance costs	(25,139)	(7,594)	(117)	(715)	-	-	-	(34,576)
Profit before taxation	213,443	(11,784)	31,386	(11,605)	(1,707)	(3,008)	-	213,733
Taxation	(55,815)	(2,970)	0	470	-	-	-	(61,326)
Profit before minority interests	157,628	(14,754)	31,386	(11,135)	(1,715)	-	-	152,407

3. Taxation

	2005 HK\$'000	2004 HK\$'000
The charges comprise:		
Current year:		
Hong Kong	-	3,594
Other regions in the PRC	-	48,438
Other jurisdictions	857	413
	857	52,445
Prior years:		
Hong Kong	6,823	2,155
Other jurisdictions	(171)	59
	6,652	2,214
Deferred taxation	29,305	4,614
Taxation attributable to the Company and its subsidiaries	36,814	59,273
Share of taxation attributable to associates	4,240	2,053
	41,054	61,326
Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. Taxation arising in other regions in the PRC or other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.		

4. Dividends

	2005 HK\$'000	2004 HK\$'000
Final dividend in respect of 2004 - HK3 cents (2003: HK2 cents):	13,849	8,471
Cash	21,204	11,232
Share alternative under scrip dividend scheme	35,053	19,703
Interim dividend in respect of 2005 - HK3 cents (2004: HK2 cents):	23,112	9,458
Cash	18,654	13,754
Share alternative under scrip dividend scheme	41,766	23,212
	76,819	42,915

The final dividend in respect of 2005 of HK5 cents (2004: HK3 cents) per share, amounting to HK\$70,713,000 (2004: HK\$35,053,000) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

5. Earnings per share

	2005 HK\$'000	2004 HK\$'000
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings:		
Earnings for the purpose of basic earnings per share	400,470	149,424
Effect of dilutive potential ordinary shares		
- amortisation of deferred expenditure on convertible bonds	2,322	-
- premium on redemption of convertible bonds	3,679	N/A
Earnings for the purpose of diluted earnings per share	406,471	N/A
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,251,268	1,043,767
Effect of dilutive potential ordinary shares		
- share options	66,815	N/A
	7,103	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,325,186	N/A

DIVIDEND

The directors recommend a final dividend for the year ended 31st March, 2005 of HK5 cents (2004: HK3 cents) per share to shareholders whose names appear on the Company's Register of Members on 19th August, 2005 amounting to HK\$70,713,000. 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 19th August, 2005; 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 19th August, 2005. 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 26th August, 2005. Dividends warrants or new shares certificates will be posted on or about 27th September, 2005.

BOOK CLOSE

The register of members of the Company will be closed from 15th August, 2005 to 19th August, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Standard Registrars Limited of G/F BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 12th August, 2005.

MANAGEMENT DISCUSSION AND CORPORATE OVERVIEW

For the financial year ended 31st March 2005, the Group continued to deliver a solid financial and operational performance. In FY2005, our net profit increased by 169% to approximately HK\$400 million.

This successful achievement attributed from both the property sales during the year and the increase in hotel rooms to meet with the increasing demand of hotel accommodation in Hong Kong. The Group remains extremely well positioned in the property development market and the hotel industry.

Despite the recent weak sentiment on property market in mainland, the Board remains positive in the development of middle-class property in mainland in long term. Given the well established skilled and experienced property team, the Group is confident in undertaking new property developments in mainland.

With the introduction of Closer Economic Participation Arrangement (CEPA), the hotel industry in Hong Kong had been greatly benefited from increase in demand of accommodation. The Group had experienced prominent increases in both occupancy rates and profit contribution from our hotel portfolio during the year. With the opening of Disneyland, the Board expects stronger demand of hotel accommodation in Hong Kong in coming years. Before the end of December 2005, the Group will make itself as one of the leading 3-4 star hotel operators in Hong Kong with close to 2,000 hotel rooms in operations.

During the financial year, the Group further affirmed its interests, in the Macau project with Venetian Group (Venetian) from Las Vegas, USA, by signing of a Memorandum of Agreement (MOA). The final binding agreements with Venetian are expected to be signed before the end of third quarter of 2005. Being a strategic partner with Venetian, the Group will develop a site located in Cotai, Macau, with a total gross floor area of more than three million square feet. The Macau project is divided into two phases. The Group targets to begin construction work in August/September 2005. In anticipation of the completion and commencement of business of Phase I in the second half of 2007, the Group will have four hotels with no less than 2,000 rooms, a shopping and entertainment complex of approximately one million square feet, a casino/showroom shell of more than 200,000 square feet, and a serviced residential development of approximately 360,000 square feet. The casino/showroom shell will be leased to Venetian, which will operate a casino and related activities. The Group will not involve in gaming operation in this complex. With significant economic growth in Macau, the Board strongly believes that this project will enhance our future recurring income stream.

We will continue to cultivate our future growth based on our two principal businesses in Greater China. The first one is to continue developing affordable quality housing in mainland with middle class as our primary targeted customers. Our second principal business is to develop and operate 3-4 star hotels in Hong Kong and Macau so as to capitalize the opportunity of increasing demand from mainland's travelers in the region. In addition, in order to employ our resources more efficiently and effectively, the Group will continue to dispose its non-core investment assets.

BUSINESS REVIEW

1. Property Development Division

Mainland China

Despite the announcement of austerity measures by the central government in May 2004, the Group remains positive in mainland's middle-class property market and continuously exploring and assessing good return investment opportunities in property development in several major cities of mainland. California Garden, our property development project in Shanghai, will be one of the main revenue contributors for the Group over the next few years. In addition, our two property development projects in Guangzhou, New Time Plaza and Gantangyuan, are scheduled to complete in 2007 and 2008, respectively. Guangzhou will be one of our key focused cities for property development as we believe the property market of Guangzhou will recover in near future.

In March 2005, we sold 60% of the commercial units launched for pre-sale in California Garden. Based on the revenue recognition from the stage of completion method, our estimated gross profit from the property sales was about RMB56 million. However, with the introduction of HK Interpretation 3 "Revenue - Pre-completion Contracts for the sale of Development Properties (previously SSAP-Int24)" issued by the Hong Kong Institute of Certified Public Accountants in May 2005, we were required to exclude such profit from our FY2005 final results. Such profit will be deferred to FY2006 when the occupancy permits for those pre-sold units being obtained.

Hong Kong

The Group does not maintain a significant land bank but typically only acquires land to satisfy its specific project requirements. During the period, the Group had three property development projects, namely Bakerview, Clear Water Bay Knoll, and Art Del Sol, launched for sales. Another new development project, Terra Nova in Sai Kung, is expected to be launched for pre-sale in the first half of FY2006.

Australia

The Group has two luxury residential development projects in Melbourne, namely Flinder Wharf and Royal Domain Tower. The Group has a 47.5% interest in Flinder Wharf, of which approximately 95% of the units had been sold. The construction of Royal Domain Tower is expected to be completed by early 2006. Up to the end of the FY2005, approximately 50% of the units had been sold. The Group has a 90% interest in this project.

2. Hotel Business

With the relaxation of tourist visa approvals for the mainland's travelers under CEPA, our hotel operations in Hong Kong achieved an average occupancy of over 90% for the year. Furthermore, our hotels marked a double-digit increase in room rates for the year.

Before the end of the year, our Cosmopolitan Hotel, which was converted from the old China News Agency Building in Wanchai, commenced operations with a total of 454 rooms. With its historical background and convenient location, Cosmopolitan Hotel has been operating at a high level of both occupancy and room rates since its opening.

In September 2004, the Group paid HK\$118 million to acquire an office building located at 263 Hollywood Road for hotel development. The conversion work was completed in about six months. The new hotel, The Central Park Hotel, with 142 rooms was opened in mid-April 2005. The operating performance of the hotel has met our expectation and continuous improvement is expected.

In December 2004, we further expand our hotel portfolio by acquiring the Gold and Silver Tower in Wanchai for HK\$122 million. The Gold and Silver Tower was again an office building and located two buildings away from our Cosmopolitan Hotel. The building will be developed into a HIP hotel with 142 rooms. The conversion work is under its way and is expected to be completed by August 2005. The new hotel is named Cosmo Hotel with a targeted opening in September 2005.

In late April 2005, the Group opened its third new hotel, Dorsett Olympic Hotel, in Tai Kok Tsui. This is a 3-star hotel with a total of 141 rooms. Despite its short history of operation, the hotel has been enjoying an occupancy rate of 90% since its opening.

The Group targets to open three more new hotels with a total of 560 rooms within the next six