

## Deputy Chairman & Chief Executive Officer's Report

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**Tan Sri Dato' David Chiu**

*Deputy Chairman & Chief Executive Officer*

I am pleased to present to you the annual results of Far East Consortium International Limited for the financial year of 2008, which the Group has achieved another record year with outstanding performance in both hotel operations and property development.

According to the Hong Kong Tourism Board, the cumulative visitors' arrivals to Hong Kong reached 28.2 million, representing a 11.6% increase from previous year. The Group's hotel division has benefited from the strong tourism growth with an overall average occupancy rate reaching 89%, while the average room rate surged 13% as compared with last year. We have been developing five hotels since last financial year to cope with the increasing demand for hotel rooms in Hong Kong. Subsequent to the end of the financial year, the Group has successfully acquired an industrial building in Kwai Chung for further hotel development. Upon the completion of our six hotel projects over the next two years, the total number of our hotel rooms in Hong Kong will be more than doubled from 1,549 to 3,281.

With the dedication and professionalism of our hotel staff, our 4-star flagship hotel, Cosmopolitan Hotel received the globally-acclaimed "eMarketer of the Year – Asia Pacific" Award by the United States headquartered Hospitality Sales & Marketing Association International last year. Subsequent to the winning of "The Best Boutique Hotel in Asia" Award last year, Lan Kwai Fong Hotel was honored to receive yet another award as "Hong Kong's Leading Boutique Hotel" in the World Travel Awards 2008.

The Management has a strong belief that dedicated staff is valuable asset to the Group and is the key to corporate success. By engaging the right people and offering quality training and enriching career development opportunities for them can significantly help them deploy their full potentials. Furthermore, a sense of belonging can be enhanced through recognition and incentive programmes whereby team spirit and stronger bonds between colleagues can be fully demonstrated.

The Group was fully aware of the market impact arising from the Mainland's further austerity control measures and did not take an aggressive move in acquiring assets over the last few years. However, we will now begin to capitalize on the current property environment and selectively seek for new projects when opportunity arises with our well-reserved cash flow. In the past financial year, we made two acquisitions in Chengdu and Wuhan for the development of 4-5 star hotels to meet the increasing demand of business and individual travelers in China. Subsequent to financial year-end, we made two more acquisitions in Shanghai and Zhejiang for hotel development. We are determined to focus and develop our hotel expansion plan in the Mainland to boost our recurring income in long term.

In regard to residential projects, California Garden in Shanghai was able to maintain prominent sales results as the impact on the middle-class property market caused by the Central Government's macro-economic control policies since 2005 has been limited. In general, we believe that such measures are beneficial to the healthy development in the Mainland property market over the long term. Given rapid economic growth and rising incomes in the middle and upper-class sectors, there is strong expectation for higher quality and affordable homes. We are ready to enlarge our land bank and develop our investment properties in the prime cities of Shanghai and Guangzhou as well as other potential tier-two and tier-three cities of promising prospects.

In addition, the three hotels in Malaysia, namely Dorsett Regency Hotel, Sheraton Subang Hotel and Grand Dorsett Labuan Hotel, also posted brilliant performance in the past year. The Group is confident that all of our hotels in Malaysia will continue to enhance investment returns for our hotel division.

Though 2008 will be a challenging year with uncertainties in the global economy, we are optimistic that the outlook for hotel industries in Hong Kong and China is still strong and encouraging. We will continue to identify prominent properties at reasonable value for our rapid hotel expansion in both Hong Kong and China with our proven strategy. In establishing our unique hotel brands and sustaining our position as the leading 4 star hotel developer and operator in the industry, we believe that greater value on hotel development can be created through quality upgrades and innovative design. More importantly, we aim to replicate our local success factors and introduce them to our hotel and property developments in China.

I would also like to take this opportunity to express my gratitude to our directors, management and to thank all our staff for their support and contribution during the year.

**David Chiu**

*Deputy Chairman & Chief Executive Officer*