

## Report of Deputy Chairman & Chief Executive Officer



**“We believe the strategic initiatives being implemented will position the Group in a strong footing to capture future opportunities and the Group will have a good mix of recurring cashflow and development income streams. Our priority is to deliver consistent long term return to our shareholders and we are confident we have the right model to achieve this objective.”**

**Tan Sri Dato' David Chiu**  
Deputy Chairman &  
Chief Executive Officer

I am pleased to present the annual results of Far East Consortium International Limited for the financial year ended 31 March 2009. Financial Year 2008/09 was a challenging year for the global economy with the financial crisis affecting many businesses. The Management carried out a number of strategic initiatives and the Group has emerged to be a stronger organization and is well-positioned to capture many new opportunities ahead of us.

With significant resources invested in the past few years to build up the hotel business, we now have one of the largest hotel operations focusing on the value-for-money segment in Asia, with 13 hotels totaling over 3,200 rooms in operations and a further 10 hotels being developed which will increase our room capacity to over 6,000.

Our three hotel brands, "Dorsett", "Cosmopolitan" and "Cosmo", are increasingly gaining recognitions in the industry and we have also developed a series of boutique hotels, such as "Lan Kwai Fong" and "Central Park", which have won us many awards. With the establishment of our name in the industry, we are now considering to branch out into hotel and serviced apartment management business which will generate a new source of stable revenue stream for the Group.

We are also currently investigating avenues to unlock a significant revaluation surplus of our hotel assets which is not reflected in our book. This may include the adoption of a sale and leaseback model for some of our assets and/or a spin-off of our hotel division.

Despite the fact that the H1N1 flu pandemic is having an impact on the overall travel industry, we remain confident of the long term prospects of the hotel industry given the significant potential of the global travel industry, and, in particular, the Asia and the China markets. Due to our relatively low entry costs for our hotel assets and our business model to optimize space utilization, our hotel operation is highly defensive with one of the highest margins in the industry. We are well-positioned to capture the upturn in the market when the negative macro factors subside.

Our property development division remains a key contributor to our overall profitability. We have presence in Hong Kong, mainland China and Australia with the latter two countries being the key contributors. During the year, we focused on developing our land bank in California Garden and the Northbank project in Australia.

Earlier this year, we took advantage of the weak market and acquired a piece of land in central Melbourne business district. The land is now earmarked for a major residential project in Melbourne where we intend to build 1,500-2,000 apartments with approximately 1 million square feet of gross floor area.

The Management is determined to strengthen our property development business by enhancing our organizational infrastructure and increasing our pipeline for development. We will focus on projects in mainland China where demand for middle-class housing is huge and Australia where we have proven track records and the long term prospects of the property market remain good.

We hold investment properties in Hong Kong, mainland China and Singapore which contributed to a steady revenue stream for the Group. Currently, we are repositioning our asset portfolio with the objective to focus on larger assets. We believe this will allow more efficient use of resources and free up some capital for investment in assets with higher long term return.

We announced on 7 May 2009 that the Group is expanding its business into car park operations. Through the acquisitions, the Group will become one of the largest independent car park operators in the Asia Pacific region with 200 car parks comprising over 42,600 parking bays under its management in strategic locations in Australia, New Zealand and Malaysia, among which 18 car parks comprising 5,200 parking bays will be owned by the Group.

The car park business is a defensive business supported by real estate value. Some assets also have redevelopment potential. The new car park business will generate new recurring cashflow streams going forward and we intend to continue to develop this business utilizing the existing platform.

On financial management, we completed a HK\$1.9 billion syndicated loan during the year at relatively favourable terms despite the difficult financial market conditions. We also took advantage of the low interest rate environment to lock in long term interest rate at a low level. This helps the Group lower its overall cost of capital which will benefit the Group's financial stability. We also bought back HK\$279m of convertible bonds outstanding at below par value which helped improve the Group's overall capital structure.

Going forward, we will continue to review and fine tune our capital structure so as to optimize our balance sheet.

The Management has a strong belief that our people are the most valuable asset to the Group and is key to corporate success. We invest in good people and offer training and clear career development opportunities for all level of staff to help them develop their full potentials. The Group now has approximately 2,000 employees and we will recruit more people to facilitate our expansion.

During the year, Mr. Chris Hoong, an ex-investment banker, joined us as Managing Director. Chris brings with him a wealth of experience in corporate management, strategic development, and mergers and acquisitions.

Although 2009 will be as challenging as the previous year with uncertainties in the global economy, the foundations that we have laid will enable us to continue to grow. We believe the strategic initiatives being implemented will position the Group in a strong footing to meet the challenges and the Group will have a good mix of recurring cashflow and development income streams. Our priority is to deliver consistent long term return to our shareholders and we are confident we have the right model to achieve this objective.

I would like to thank our directors, management and all staff for their hard work, supports and contributions during the year.

**David Chiu**

Deputy Chairman & Chief Executive Officer