

A tall, modern hotel building with a distinctive facade of white and grey panels and large windows. The building is illuminated with warm lights, and several bright blue spotlights beam down from the top. The sky is a mix of orange and blue, suggesting dusk or dawn. Other buildings are visible in the background.

Cosmo Kowloon Hotel

Hong Kong

Report of 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 2010.

2009/2010 was a year where we experienced weak economic conditions in the first half and a gradual recovery in operating environment in the second half.

Despite the challenging first half where the Group's results were affected by a combination of slow economic conditions and the H1N1 flu pandemic, the Group had a record year in terms of revenue, helped by the completion of the Northbank project in Australia, sale of residential units in California Gardens, a strong recovery in our hotel business in the second half and the contribution from our car park division.

In order to position the Group to capture the significant opportunities in different property segments in Asia,

the Group continued to implement a number of strategic initiatives to strengthen our core businesses.

Our longer term strategic objective for our property development division is to have a larger number of projects in order to smooth out the effect of the unevenness of earnings contributions from the completion of our property projects. To this end we will grow our pipeline by acquiring more sites whilst taking into account of different property cycles in different cities in China.

Last year, we started construction of a new phase of mid rise apartments in California Garden with approximately 280 units. We also concluded the plan for a further 798 residential units in the coming phases of development. In Australia, we finalized our plan with regard to phase one of the Upper West Side project in central Melbourne and we expect to launch approximately

700 apartments in the pre-sale soon. A further 600-700 apartments will be launched immediately following phase one. We also finalized our plan to build approximately 630 apartments in our Hua Di Jia Yuan project in Guangzhou the construction of which is expected to commence this year. Including our development projects in Hong Kong, we have over 3,000 residential units which are currently under construction or the construction of which shall commence within the next two years.

On land acquisitions, we are constantly reviewing new opportunities and we intend to continue to selectively grow our presence in China.

With regard to our hotel division, we continued our efforts to build our pipeline. We acquired a new site in Singapore which will be developed into a mixed development including a 285-room hotel. We formed a new team focusing on third party hotel

Report of Deputy Chairman & Chief Executive Officer

management operation. We opened our landmark hotel in Shanghai in February 2010 and obtained the occupancy permit for our new hotel in Kowloon, Hong Kong. We are currently expecting to add 2,752 hotel rooms to our portfolio within two and half years taking the total number of hotel rooms under our ownership to 6,356 rooms. On branding, we will be implementing a new initiative to rebrand our hotels to facilitate expansion into third party management business. We have recently signed a letter of intent with a third party owner to manage a 400-room hotel and we expect to grow this business aggressively.

We account for our hotel portfolio in our balance sheet at cost less depreciation rather than market value. As at 31 March 2010, the revaluation surplus of our hotel portfolio over its carrying amount in the balance sheet amounted to approximately HK\$5 billion⁽¹⁾ based on valuations by independent valuers. To unlock such significant revaluation surplus in our hotel portfolio, we appointed a number of investment banks to help us evaluate our options. We are in the process of seriously considering a proposed plan to spin off the hotel division. The timing for such proposed spin-off will be subject to, among other things, market conditions.

We established a new car park division through completion of the acquisitions announced on 7 May 2009. We are now managing over 250 car parks with approximately 46,000 parking bays and we have increased our ownership of car parks to 20 with over 5,600 parking bays. We will continue to make selective acquisitions and expect this division to generate a steady growing cashflow stream.

We have maintained a core investment property portfolio in Hong Kong, mainland China and Singapore which generates a steady rental income stream. Last year, we disposed a number of smaller assets to improve our management efficiency. We are currently evaluating an opportunity to build a regional shopping mall in California Garden which will contribute to the earning stream in the medium term.

On financial management, we redeemed/repurchased convertible bonds of HK\$130m last year and we completed a HK\$800m convertible offering in March 2010. The net proceeds raised will provide the Group with additional ammunition to further expand our project pipelines and lay a strong foundation for further growth in the next several years.

We entered 2010/11 financial year with more optimism compared to last year. We believe the foundations that we have laid in the past will enable the Group to continue to grow in the future. We are evaluating entering the serviced apartment sector which is regarded as complimentary to our existing businesses. We remain firmly committed to deliver consistent long term return to our shareholders and we are confident we have adopted the right strategy and model to achieve this objective.

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

David Chiu

Deputy Chairman and
Chief Executive Officer

Note(1) Including Dorsett Regency CBD, Zhongshan, of which we are in the process of obtaining the title certificate. Its market value was estimated at RMB220m as at 31st March 2010.