

An aerial night photograph of a city skyline, likely New York City, showing numerous illuminated skyscrapers and a dense urban landscape. A large red semi-transparent box is overlaid on the left side of the image, containing the title text in white. The background image shows the city lights reflecting on the water and the surrounding urban environment.

Report of Deputy Chairman and Chief Executive Officer

Report of Deputy Chairman and Chief Executive Officer



I am pleased to present the annual results of Far East Consortium International Limited for the financial year ended 31st March, 2011 ("Financial Year 2011").

We witnessed steady growth in our overall business which recorded an increase in net profit attributable to our shareholders of 21.7% in the Financial Year 2011. The increase in profit was mainly generated from good performance of our hotel division, full year contribution from car park division, sales of completed properties of California Garden in Shanghai of Mainland China and The Mercer by Kosmopolito in Hong Kong, increase on investment property fair value and gain on disposal of available for sales investments.

In the last few years, the Company made significant efforts to expand the business which has revenue streams of a recurring nature, namely the hotel and car park operations. We also made an effort to expand our development pipeline in order to smooth the future development contribution. The increase in contribution from the hotel and car park divisions and increase in projects in our development pipeline in the Financial Year 2011 are direct results of these strategic initiatives.

On 11th October, 2010, the successful spin-off and listing of our hotel division namely Kosmopolito Hotels International Limited (Stock code: 2266) on the Stock Exchange, has marked an important milestone of the development of the Group. The successful spin-off and listing not only strengthened the cash position of the Company, it unlocked a spin off gain of approximately HK\$418 million and unveiled a significant revaluation surplus of the hotel division which is not reflected in the balance sheet of the Company. Following the spin-off, the Company still holds 73.1% of stake of KHI and the new platform provides us with a more focused approach to grow our hotel business in the region.

On the property development and investment business, we have become increasingly more active in residential property and serviced apartment development with an increased pipeline. The Company's increased emphasis on the division follows the success of the Company in building up its recurring cashflow business in hotel and car park. As at 31st March, 2011, the Company recorded a total pre-sale of properties under development of approximately HK\$2.6 billion.

In Mainland China, our flagship development project California Garden in Shanghai, continued to make contribution to our Group in terms of revenue and profit. We started the construction works of approximately 1,000 apartments and approximately 150 town houses in the current phases. In addition, we commenced the construction works for building up a total number of 5 residential towers in our Jin Di Hua Yuen project in Guangzhou.

We have drawn up a plan to revamp Shanghai Ching Chu Xintiandi, a shopping mall project in California Garden in Shanghai. Once completed, the retail outlets will be leased out and it will add to our recurring cashflow streams. Further, we are also investigating the possibility of building a mall adjacent to the Shanghai Ching Chu Xintiandi project. Once completed, the two developments will be linked together providing an easy mutual access between the 2 malls.

In Australia, we successfully launched our residential development project, Upper West Side, which is located in central Melbourne. Over 80% of the 700 apartments in Phase 1 were presold in the Financial Year 2011. The sale of 584



apartments in Phase 2 was launched under the name of Madison at Upper West Side in April 2011. Additionally, we completed the development and sold over 86% of the townhouses in the Jarrah Estate development in Bundoora of Melbourne in which we held 25% of stake in the project. We also disposed of our development site at Northcote to focus our efforts on larger development.

In October 2010, we presold, through KHI, all of the 68 apartments of Dorsett Residence which is located next to our Dorsett Regency "On New Bridge" Hotel in Singapore at the total sales proceeds of approximately SGD80.2million or HK\$494.5 million.

During the Financial Year 2011, KHI decided to pursue the development of the excess land at Grand Dorsett Subang Hotel into hotel residence. A development order has been granted by relevant local authority. KHI is presently in the initial stage of discussion with various parties and is considering the available options.

In Hong Kong, we made significant progress in a number of our existing residential development projects. We planned to launch a number of developments with the total sales value of approximately HK\$2 billion in the next 12-24 months.

As our long term strategic objective for property development division is to increase our number of development projects to smooth the earning contribution and growth, we have been active in reviewing good acquisition opportunity to increase our land reserve. In September 2010, we acquired a redevelopment site at San Wai Street, Hunghom in Hong Kong. We also acquired a piece of land at Jalan Imbi of Kuala Lumpur in Malaysia in October 2010 for residential/serviced apartment development.

At present, the Group has 10 million sq. ft. GFA development pipeline. We expect that property development division will contribute significant revenue in the next few financial years.

As regard our hotel operations, we experienced a strong recovery in business and leisure travel in 2010. In particular, the continued strong growth in tourist arrivals resulted in a healthy increase in occupancy rates of our hotels in Hong Kong and South East Asia. KHI is one of the largest listed hotel companies in Hong Kong equipped with a defensive portfolio and a strong asset backing. KHI owns 21 hotels (15 are in operation and 6 are under development) with approximately 7,000 rooms in total numbers across Asia. It has a strong

presence in Hong Kong and Malaysia with a primary focus on expansion in Mainland China and Asia.

KHI continued to grow steadily and maintained a high occupancy rate in the Financial Year 2011 at overall average rate of about 80%. Hong Kong recorded an occupancy rate of approximately 92% and was our best performing region. KHI's overall RevPAR grew 28% in comparison with the last financial year.

Following the successful launch of Yue Shanghai Hotel in Mainland China and newly opening of the Cosmo Hotel Mongkok and The Mercer by Kosmopolito in Hong Kong, there are 3 more new hotels to be added in the coming financial year 2012, namely Dorsett Regency Hong Kong, Dorsett Regency Kwun Tong and Dorsett Regency Kwai Chung. The addition of these new hotels together with other pipeline hotels will contribute to further growth in the division in the coming financial years.

On car park division, we added a net 1,000 parking bays to our car park portfolio in the Financial Year 2011. Currently our car park division managed approximately 250 car parks comprising more than 46,000 car park bays. Our car park business has contributed a steady increase in revenue and net profit, and

Report of Deputy Chairman and Chief Executive Officer



provided an increased recurring income to the Company. We will continue to make selective acquisition in car park and grow our car park management business in the regions.

In entering the financial year 2012, although booking of sales may be slower in the current financial year as majority of our presold development is scheduled to be completed in 2 to 3 years time, the long term prospects of our business are good given our strong current pipeline in hotel and property development and the generally positive outlook of the economies across the region in particular Asia Pacific and Mainland China. Our relatively low land costs also put us in an advantageous position.

Going forward, leveraging on our hotel experience, we will increase our emphasis on serviced apartment, both for rent and for sale. We will maintain the strategy of expanding our property portfolio with more recurring cashflow streams and selectively adding our development pipeline. I am confident that with resolute focus on implementing our strategic plan, we shall be able to take on challenges and capture any new opportunities that may arise.

We always say that employees are the most valuable asset of the Company. They

contribute to our continuous growth in the region and our capability to grasp the prosperous opportunities ahead. I would like to take this opportunity to express my gratitude to my fellow management team for their wise counsel and intelligence, and the staff members of the Group for their contribution and support.

David CHIU

*Deputy Chairman and
Chief Executive Officer*