



遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2007

RESULTS

The board of directors (the “Board”) of Far East Holdings 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 December, 2007 together with the comparative figures for the corresponding period in 2006 are set out as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

| | NOTES | Continuing operations | | Discontinued operation | | Total | |
|---|-------|-----------------------|--------------|------------------------|--------------|---------------------|--------------|
| | | 2007 HK\$ | 2006 HK\$ | 2007 HK\$ | 2006 HK\$ | 2007 HK\$ | 2006 HK\$ |
| Gross proceeds | 2 | 77,128,645 | 66,305,735 | - | 18,949,636 | 77,128,645 | 85,255,371 |
| Sales of goods | | 27,706,741 | 33,502,783 | - | 18,949,636 | 27,706,741 | 52,452,419 |
| Property rental income | | 1,160,966 | 1,033,189 | - | - | 1,160,966 | 1,033,189 |
| Cost of sales | | (25,948,543) | (30,990,767) | - | (20,937,398) | (25,948,543) | (51,928,165) |
| Gross profit (loss) | | 2,919,164 | 3,545,205 | - | (1,987,762) | 2,919,164 | 1,557,443 |
| Dividend income from available-for-sale investment | | 237,419 | 165,669 | - | - | 237,419 | 165,669 |
| Dividend income from held-for-trading investment | | 1,360,914 | 529,058 | - | - | 1,360,914 | 529,058 |
| Increase in fair value of held-for-trading investments | | 3,903,265 | 3,595,402 | - | - | 3,903,265 | 3,595,402 |
| Other income | | 3,342,597 | 3,086,424 | - | 254,141 | 3,342,597 | 3,340,565 |
| Selling and distribution costs | | (134,019) | (244,282) | - | (93,205) | (134,019) | (337,487) |
| Administrative expenses | | (15,590,561) | (14,909,293) | - | (843,792) | (15,590,561) | (15,753,085) |
| Finance costs | | (1,206,786) | (613,678) | - | (47,176) | (1,206,786) | (660,854) |
| Other expenses | | - | (127,278) | - | (17,840) | - | (145,118) |
| Gain on disposal of available-for-sale investments | | 608,909 | - | - | - | 608,909 | - |
| Imputed interest on debt component of convertible note | | 195,886 | 700,846 | - | - | 195,886 | 700,846 |

| | NOTES | Continuing operations | | Discontinued operation | | Total | |
|---|-------|-----------------------|-------------------|------------------------|------------------|----------------------|----------------------|
| | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Decrease in fair value of embedded derivative of convertible note | | - | (387,668) | - | - | - | (387,668) |
| Gain on conversion of convertible notes | | 3,660,123 | - | - | - | 3,660,123 | - |
| Increase in fair value of investment properties | | 10,488,900 | 1,422,269 | - | - | 10,488,900 | 1,422,269 |
| Gain on disposal of a jointly controlled entity | | - | 13,566,390 | - | - | - | 13,566,390 |
| Gain on disposal of subsidiaries and discontinued operation | | - | - | - | 5,575,474 | - | 5,575,474 |
| Gain on disposal of interest in an associate | | 28,322,820 | 16,804,646 | - | - | 28,322,820 | 16,804,646 |
| Net gain (loss) on deemed disposal of an associate | | 40,687,735 | (1,648,160) | - | - | 40,687,735 | (1,648,160) |
| Share of results of associates | | 17,455,559 | (11,763,146) | - | - | 17,455,559 | (11,763,146) |
| Profit before taxation | 3 | 96,251,925 | 13,722,404 | - | 2,839,840 | 96,251,925 | 16,562,244 |
| Taxation credit (charge) | 4 | 592,093 | (371,654) | - | - | 592,093 | (371,654) |
| Profit for the year | | <u>96,844,018</u> | <u>13,350,750</u> | <u>-</u> | <u>2,839,840</u> | <u>96,844,018</u> | <u>16,190,590</u> |
| Attributable to: | | | | | | | |
| Equity holders of the Company | | | | | | 97,388,003 | 15,962,052 |
| Minority interests | | | | | | (543,985) | 228,538 |
| | | | | | | <u>96,844,018</u> | <u>16,190,590</u> |
| Dividend, paid | 6 | | | | | - | - |
| Earnings per share – basic | 5 | | | | | 87.5 HK cents | 14.6 HK cents |
| – From continuing and discontinued operations | | | | | | <u>87.5 HK cents</u> | <u>14.6 HK cents</u> |
| – From continuing operations | | | | | | <u>87.5 HK cents</u> | <u>12.0 HK cents</u> |
| Earnings per share – diluted | 5 | | | | | <u>74.4 HK cents</u> | <u>N/A</u> |

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

| | NOTES | 2007 HK\$ | 2006 HK\$ |
|--|-------|---------------------------|---------------------------|
| NON-CURRENT ASSETS | | | |
| Investment properties | | 24,230,000 | 41,040,000 |
| Property, plant and equipment | | 15,916,020 | 11,734,867 |
| Prepaid lease payments | | 24,203,079 | 1,131,911 |
| Interests in associates | | 103,343,924 | 39,593,645 |
| Available-for-sale investments | | 38,852,163 | 12,512,564 |
| Other non-current assets | | 5,270,343 | – |
| Deposits paid for acquisition of property | | – | 2,700,260 |
| Investment in convertible notes | | – | 4,962,049 |
| | | <u>211,815,529</u> | <u>113,675,296</u> |
| CURRENT ASSETS | | | |
| Prepaid lease payments | | 653,137 | 82,439 |
| Held-for-trading investments | | 43,037,774 | 38,023,174 |
| Inventories | | 6,515,532 | 6,444,064 |
| Trade and other receivables | 7 | 1,123,398 | 3,528,446 |
| Amount due from a director | | 22,102,762 | – |
| Amount due from an associate | | 639,629 | 639,629 |
| Amount due from a minority shareholder | | 2,319,650 | 4,746,762 |
| Amounts due from related companies | | 4,486,932 | 16,143,448 |
| Tax prepaid | | 121,173 | 103,649 |
| Pledged bank deposits | | – | 4,209,560 |
| Deposits held at financial institutions | | 10,889,735 | 3,171,212 |
| Bank balances and cash | | 82,686,579 | 40,526,459 |
| | | <u>174,576,301</u> | <u>117,618,842</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | 10,598,332 | 10,159,489 |
| Amounts due to directors | | 1,476,187 | 1,391,687 |
| Amount due to a minority shareholder | | 297,038 | 297,038 |
| Amounts due to related companies | | 1,593,635 | 1,619,438 |
| Bank and other loans – due within one year | | 9,014,618 | 10,886,860 |
| Obligations under a finance lease | | | |
| – due within one year | | 136,044 | 119,925 |
| | | <u>23,115,854</u> | <u>24,474,437</u> |
| NET CURRENT ASSETS | | <u>151,460,447</u> | <u>93,144,405</u> |
| | | <u><u>363,275,976</u></u> | <u><u>206,819,701</u></u> |

| | 2007 | 2006 |
|---|--------------------|-------------|
| <i>NOTES</i> | <i>HK\$</i> | <i>HK\$</i> |
| CAPITAL AND RESERVES | | |
| Share capital | 1,304,506 | 1,094,506 |
| Reserves | 326,793,873 | 187,981,414 |
| | <hr/> | <hr/> |
| Equity attributable to equity holders of the Company | 328,098,379 | 189,075,920 |
| Minority interests | 17,107,688 | 16,476,689 |
| | <hr/> | <hr/> |
| | 345,206,067 | 205,552,609 |
| | <hr/> | <hr/> |
| NON-CURRENT LIABILITIES | | |
| Bank and other loans | | |
| – due after one year | 17,633,489 | – |
| Obligations under a finance lease | | |
| – due after one year | 113,905 | 249,949 |
| Deferred taxation | 322,515 | 1,017,143 |
| | <hr/> | <hr/> |
| | 18,069,909 | 1,267,092 |
| | <hr/> | <hr/> |
| | 363,275,976 | 206,819,701 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes:

1. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st January, 2007.

| | |
|-------------------|---|
| HKAS 1(Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-INT 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-INT 8 | Scope of HKFRS 2 |
| HK(IFRIC)-INT 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-INT 10 | Interim Financial Reporting and Impairment |

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new standard, amendment, revisions or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period for beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards, amendment, revisions or interpretations will have no material impact on the results and the financial position of the Group.

| | |
|---------------------|--|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations ¹ |
| HKFRS 3 (Revised) | Business Combinations ² |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – INT 11 | HKFRS 2 – Group and Treasury Share Transactions ³ |
| HK(IFRIC) – INT 12 | Service Concession Arrangements ⁴ |
| HK(IFRIC) – INT 13 | Customer Loyalty Programmes ⁵ |
| HK(IFRIC) – INT 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴ |

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st July, 2009.

³ Effective for annual periods beginning on or after 1st March, 2007.

⁴ Effective for annual periods beginning on or after 1st January, 2008.

⁵ Effective for annual periods beginning on or after 1st July, 2008.

2. Turnover and segment information

Business segments

For management purposes, the Group is currently organised into three operating divisions – securities investment and trading, property development and investment, and industrial. These divisions are the basis on which the Group reports its primary segment information.

In November 2006, the Group discontinued a major separate line of business in relation to the manufacturing and sale of commodity concrete.

Principal activities of the remaining segments are as follows:

| | | |
|-------------------------------------|---|--|
| Securities investment and trading | – | investment and trading in securities. |
| Property development and investment | – | properties development and investment. |
| Industrial | – | manufacturing and sale of garments. |

Segment information about these business is presented below:

2007

| | Continuing operations | | | Discontinued operation | Consolidated HK\$ |
|--|---|---|---|--|----------------------|
| | Securities investment and trading HK\$ | Property development and investment HK\$ | Industrial-manufacturing and sales of garment HK\$ | Industrial-manufacturing and sales of commodity concrete HK\$ | |
| Gross proceeds | <u>48,260,938</u> | <u>1,160,966</u> | <u>27,706,741</u> | – | <u>77,128,645</u> |
| Revenue | <u>–</u> | <u>1,160,966</u> | <u>27,706,741</u> | – | <u>28,867,707</u> |
| RESULTS | | | | | |
| Segment results | <u>1,450,709</u> | <u>8,958,457</u> | <u>(1,475,085)</u> | – | <u>8,934,081</u> |
| Other income | | | | | 3,342,597 |
| Finance costs | | | | | (1,206,786) |
| Unallocated expenses | | | | | (1,284,081) |
| Gain on disposal of interest in an associate | | | | | 28,322,820 |
| Net gain on deemed disposal of an associate | | | | | 40,687,735 |
| Share of results of associates | | | | | 17,455,559 |
| Profit before taxation | | | | | 96,251,925 |
| Taxation credit | | | | | 592,093 |
| Profit for the year | | | | | <u>96,844,018</u> |

2006

| | Continuing operations | | | Discontinued operation | Consolidated HK\$ |
|---|---|---|---|--|----------------------|
| | Securities investment and trading HK\$ | Property development and investment HK\$ | Industrial-manufacturing and sales of garment HK\$ | Industrial-manufacturing and sales of commodity concrete HK\$ | |
| Gross proceeds | <u>31,769,763</u> | <u>1,033,189</u> | <u>33,502,783</u> | <u>18,949,636</u> | <u>85,255,371</u> |
| Revenue | <u>–</u> | <u>1,033,189</u> | <u>33,502,783</u> | <u>18,949,636</u> | <u>53,485,608</u> |
| RESULTS | | | | | |
| Segment results | <u>(6,501,812)</u> | <u>2,073,328</u> | <u>6,094</u> | <u>(2,942,599)</u> | (7,364,989) |
| Other income | | | | | 3,340,565 |
| Finance costs | | | | | (660,854) |
| Unallocated expenses | | | | | (1,287,682) |
| Gain on disposal of a jointly controlled entity | | | | | 13,566,390 |
| Gain on disposal of interest in subsidiaries | | | | | 5,575,474 |
| Gain on disposal of interest in an associate | | | | | 16,804,646 |
| Net loss on deemed disposal of an associate | | | | | (1,648,160) |
| Share of results of associates | | | | | <u>(11,763,146)</u> |
| Profit before taxation | | | | | 16,562,244 |
| Taxation charge | | | | | <u>(371,654)</u> |
| Profit for the year | | | | | <u>16,190,590</u> |

3. Profit before taxation

| | Continuing operations | | Discontinued operation | | Consolidated | |
|---|-----------------------|-------------|------------------------|------------|--------------|-------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Profit before taxation has been arrived at after charging (crediting): | | | | | | |
| Allowance on inventories (included in cost of sales) | 987,078 | – | – | – | 987,078 | – |
| Amortisation of prepaid lease payments | 653,137 | 82,439 | – | 121,740 | 653,137 | 204,179 |
| Auditor's remuneration | 902,632 | 666,667 | – | 7,333 | 902,632 | 674,000 |
| Cost of inventories recognised as expense | 24,931,880 | 30,938,975 | – | 20,937,398 | 24,931,880 | 51,876,373 |
| Depreciation | 2,783,411 | 3,025,684 | – | 197,987 | 2,783,411 | 3,223,671 |
| Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK\$969,000 (2006: HK\$1,394,000) | 11,847,981 | 12,719,213 | – | 1,204,667 | 11,847,981 | 13,923,880 |
| Exchange loss (gain), net | 507,890 | (1,133,387) | – | – | 507,890 | (1,133,387) |
| Impairment loss on interests in an associate | – | 240 | – | – | – | 240 |
| Loss on disposal of property, plant and equipment | – | 17,409 | – | – | – | 17,409 |
| Operating lease in respect of rented premise | 337,760 | 327,646 | – | – | 337,760 | 327,646 |
| Share of tax of associates (included in share of results of associates) | 1,390,762 | 2,560,396 | – | – | 1,390,762 | 2,560,396 |
| Write off of amount due from an associate | – | 22,104 | – | – | – | 22,104 |
| and after crediting: | | | | | | |
| Dividend income from available-for-sale investments | 237,419 | 165,669 | – | – | 237,419 | 165,669 |
| Rental income from investment properties, less outgoings of HK\$29,585 (2006: HK\$51,791) | 1,131,381 | 981,398 | – | – | 1,131,381 | 981,398 |

4. Taxation credit (charge)

| | Continuing operations | | Discontinued operation | | Consolidated | |
|---|-----------------------|-----------|------------------------|------|--------------|-----------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| The taxation credit (charge) comprises: | | | | | | |
| PRC enterprise income tax: | | | | | | |
| Current year | (62,080) | (54,967) | - | - | (62,080) | (54,967) |
| Underprovision in prior years | (40,455) | (2,150) | - | - | (40,455) | (2,150) |
| | (102,535) | (57,117) | - | - | (102,535) | (57,117) |
| Deferred taxation | 694,628 | (314,537) | - | - | 694,628 | (314,537) |
| | 592,093 | (371,654) | - | - | 592,093 | (371,654) |

PRC enterprise income tax is calculated at a tax rate of 24%. Where the export sales of the relevant entity exceeds a certain percentage, that entity will entitle to enjoy a concession tax rate of 12%.

On 16th March, 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 24% to 25% for the subsidiary operating in the PRC from 1st January, 2008.

5. Earnings per share

For both continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | 2007 | 2006 |
|---|--------------|-------------|
| | HK\$ | HK\$ |
| Earnings: | | |
| Earning for the purpose of basic and diluted earnings per share | | |
| Profit for the year attributable to equity holders of the Company | 97,388,003 | 15,962,052 |
| Less: Profit for the year from discontinued operation | - | (2,839,840) |
| Profit for the year from continuing operations, representing earnings for the purpose of basic earnings per share | 97,388,003 | 13,122,212 |
| Effect of dilutive potential shares of associates based on dilution of their earnings per share | (11,611,893) | - |
| Earnings for the purpose of diluted earnings per share | 85,776,110 | 13,122,212 |

| | 2007 | 2006 |
|--|---------------------------|---------------------------|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 111,291,691 | 109,450,595 |
| Effect of dilutive potential ordinary shares on share options | <u>4,033,849</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u><u>115,325,540</u></u> | <u><u>109,450,595</u></u> |

The weighted average number of ordinary shares for the purpose of basic earnings per share in year 2006 has been adjusted for the bonus shares issued in prior year.

In 2006, no diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares. No adjustment has been made for the potential ordinary shares of the associate as the effect in 2006 is anti-dilutive.

From discontinued operations

In 2006, basic earnings per share for discontinued operation is 2.6 HK cents per share, based on the profit for the year from discontinued operation of HK\$2.8 million. The denominator used was the same as that detailed above for basic earnings per share.

6. Dividend

The final dividend in respect of year ended 31st December, 2007 of HK2 cents (2006: Nil) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. Trade and other receivables

For sales of goods, the Group has a policy of allowing a credit period of 30 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable is as follows:

| | THE GROUP | |
|-------------------------|------------------|-------------|
| | 2007 | 2006 |
| | HK\$ | HK\$ |
| 31 – 60 days | 600,967 | 894,601 |
| Over 90 days | 26,222 | 241,809 |
| | <hr/> | <hr/> |
| Total trade receivables | 627,189 | 1,136,410 |
| Other receivables | 496,209 | 2,392,036 |
| | <hr/> | <hr/> |
| | 1,123,398 | 3,528,446 |
| | <hr/> <hr/> | <hr/> <hr/> |

The carrying amount of trade receivables are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance for doubtful debts are provided and any uncollectible debts are written off directly.

8. Trade and other payables

The aged analysis of trade payables is as follows:

| | THE GROUP | |
|----------------------|-------------------|-------------|
| | 2007 | 2006 |
| | HK\$ | HK\$ |
| 0 – 30 days | 180,121 | – |
| 31 – 60 days | – | 520,114 |
| Over 90 days | 51,823 | 3,077 |
| | <hr/> | <hr/> |
| Total trade payables | 231,944 | 523,191 |
| Other payables | 10,366,388 | 9,636,298 |
| | <hr/> | <hr/> |
| | 10,598,332 | 10,159,489 |
| | <hr/> <hr/> | <hr/> <hr/> |

DIVIDEND AND BONUS SHARE ISSUE

No interim dividend was paid during the year but the Board now recommends a final dividend of 2 HK cents per share payable to shareholders of the Company whose names are on the register of members on 30th May, 2008. The Board also recommends the issue of bonus shares on the basis of one bonus share for every one existing share held by shareholders registered as such on the register of members on 30th May, 2008. The necessary resolutions will be proposed at the forthcoming Annual General Meeting on 30th May, 2008, and if passed, dividend warrants and share certificates will be posted on 10th June, 2008.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from 27th May, 2008 to 30th May, 2008, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed issue of bonus shares and final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 26th May, 2008.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

CORPORATE RESULTS

For the year ended 31st December, 2007, the Company and its subsidiaries (the "Group") generated gross proceeds from continuing operations of approximately HK\$77.1 million (2006 recorded: HK\$66.3 million), representing a rise of 16% compared with last year.

The Group had achieved a net profit attributable to equity holders of the Company approximately HK\$97.39 million (2006: HK\$15.96 million), an increase of 510% from last year mainly due to net gain on deemed disposal in an associate. The earnings per share from continuing operations for the year ended 31st December, 2007 was 87.5 HK cents (2006: 14.6 HK cents), an increase of 499% over last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2007, the Group had cash and bank balances, pledged deposits and deposits held at financial institutions amounting to HK\$93.58 million (2006: HK\$47.91 million). Basically, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2007, the Group had total borrowings of HK\$26.65 million (2006: HK\$10.89 million) of which HK\$9.01 million (2006: HK\$10.89 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

GEARING RATIO AND CURRENT RATIO

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 31st December, 2007 increased to 8.12% (2006: 5.76%). The Group's current ratio (current assets to current liabilities) as at 31st December, 2007 raised to 7.55 (2006: 4.81, restated). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE AND FUND RAISING ACTIVITY

As announced on 4th December, 2007, the Company raised approximately HK\$28.4 million after deduction of expenses by way of a top-up placing of shares pursuant to the general mandate. The net proceeds received from the top-up placing of shares will be used for general working capital of the Group. On 11th December, 2007, the Company completed a top-up placing of Shares and therefore, the Company had allotted and issued 21,000,000 new shares at a price of HK\$1.39 per share. The new ordinary shares rank pari passu with the existing shares in all respect.

PLEDGE OF ASSETS

At 31st December, 2007, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK\$61.8 million (2006: HK\$41.3 million) to banks, financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK\$47.9 million (2006: HK\$32.9 million).

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

At 31st December, 2007, the Group had no significant contingent liabilities (2006: Nil).

Capital Commitments

On 18th September, 2007, Jubilee Star Limited ("Jubilee Star"), a wholly-owned subsidiary of the Group, and China Aviation Supplies Import and Export Group Corporation ("China Aviation") entered into a conditional joint venture agreement for transformation of Beijing Kailan Aviation Technology Co. Ltd. ("Beijing Kailan") into an equity joint venture through capital injection of approximately RMB38 million into Beijing Kailan by Jubilee Star. Upon fulfillment of conditions set out on the joint venture agreement, China Aviation and Jubilee Star will own a 79.98% and 20.02% equity interest in Beijing Kailan respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 26th January, 2007, the Group disposed of 20 million shares held in Chinasoft International Limited (the “Chinasoft”), to Oriental Patron Securities Limited, an independent third party for a consideration of HK\$35.4 million. Accordingly, the equity interest in this associate held by the Group was reduced from 19.78% to approximately 17.15% of the issued share capital of Chinasoft.

On 29th January, 2007, River Joy Limited, a wholly-owned subsidiary of the Company purchased a Property at Flat C on 22nd Floor of Tower 3, Tregunter, with car parking space No. 26 on level 5 of Tower 3, No. 14 Tregunter Path, Hong Kong from Lee Lo Miu Ling and Lee Marcus at a consideration of HK\$27 million. The Property had a total gross floor area of approximately 3,001 sq.ft. approximately HK\$8,997 per sq.ft..

In March 2007, the Group converted the entire HK\$8.3 million principal amount of convertible notes issued by Golife Concepts Holdings Limited (the “Golife”) to shares.

On 27th April, 2007, Power Profit Far East Limited (the “Power Profit”) a wholly-owned subsidiary of the Company and First Holdings Consortium Ltd (the “First Holdings”) and other subscribers have entered into the Shareholders Agreement pursuant to which Power Profit irrevocably subscribes for approximately 1.92 million shares representing 14.85% equity interest in the enlarged issued share capital of the First Holdings as at the subscription date and undertakes to fully pay up the Subscription Shares at the Subscription Price of HK\$15 million.

On 31st August, 2007, Peterfame Company Limited, a wholly-owned subsidiary of the Company disposed of a property at Lower Ground to 3rd Floor, Kwai Chung Fa Yuen, Nos. 50-56 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong to Star Way Properties Limited at a consideration of HK\$27.6 million.

On 18th September, 2007, Jubilee Star, a wholly-owned subsidiary of the Company, and China Aviation entered into the new joint venture agreement (the “New JV Agreement”) for transformation of Beijing Kailan into a sino-foreign equity joint venture (the “Transformation”) by capital injection of the RMB38 million into Beijing Kailan by Jubilee Star, of which RMB30.71 million shall be used for the increase in the registered capital and RMB7.29 million as capital reserve. The New JV Agreement entirely supersedes the Original Joint Venture Agreement which was terminated and ceased to have effect on 18th September, 2007. Upon completion of the Transformation, Beijing Kailan will be owned as to approximately 79.98% by China Aviation Supplies and as to approximately 20.02% by Jubilee Star.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2007, the Group had approximately 400 employees in Hong Kong and PRC (2006: 500 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group had adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 2,118,348 share options outstanding as at 31st December, 2007.

BUSINESS REVIEW AND PROSPECTS

Information Technology Holdings

Chinasoft (stock code: 8216) is an associate of the Group and is listed in the Growth Enterprise Market of Hong Kong. Chinasoft has reported a net profit of RMB122.54 million for the year ended 31st December, 2007 (2006: net loss RMB63.85 million) while turnover grew from RMB355.24 million in 2006 to RMB811.55 million in 2007.

During the year, Chinasoft has successfully integrated with Hinge Global Resources Inc. and expands its staff force to over 4,000 employees.

In the coming year, Chinasoft will further strengthen its foothold in e-Government solutions, while looking to expand in the I.T. outsourcing and I.T. training segments rapidly. Chinasoft will seek to build Excellence Training Centres (ETCs) in China to offer I.T. training programs in China and at the same time ensure sufficient supply of talented labor for Chinasoft.

Industrial Holdings

The Group's industrial business, operated through Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited recorded a 17.28% decline in turnover to HK\$27.71 million comparing with last year (2006: HK\$33.50 million). The increases in raw material prices and operating expenses, the garment business incurred a net loss of HK\$1.48 million (2006: net profit of approximately HK\$6,000). However, the trading and export of garment are expected to remain challenging in the coming year with the rise of labour costs and continued appreciation of Renminbi in China.

The Group holds 11.98% effective interest of the Golife. Golife reported a net loss of HK\$92.24 million for the financial year ended 2007, the loss was mainly due to one time write-off of goodwill accrued from its acquisition of Chung Chin Limited in 2006.

The retail market in Hong Kong remains strong, while the increasing rentals has negative impacts on profit margins, we are still positive on the overall retail market. In 2008, Golife will develop into the China market and plan to open stores in major cities like Beijing and Shanghai.

The Group has also invested into First Holdings on 27th April, 2007 and holds 14.85% equity interest. First Holdings holds 100% equity interest in First Credit Limited which is a private company incorporated in Hong Kong and is engaged in money lending business in Hong Kong.

Property Division

The price of residential property market in Hong Kong raised rapidly in 2007. With rising incomes, strong affordability for homebuyers and negative real interest rates, the Group has recorded a profits of HK\$10.49 million from increase a far value of its investment properties. Tight supply of new private housing will be expected in the next year and therefore the Group has positive expectations from its property holdings.

OUTLOOK

With the slowdown of the U.S. economy expected in the coming year resulting from the subprime mortgage crisis, there will be big uncertainties in the global financial markets. Under a tightening monetary policy in China, the economic growth in Mainland China is expected to be moderate.

It remains unclear how long the crisis will persist and its overall impact to China's economy. However, the slowdown of China's economy means more reasonable investment opportunities may arise. With the view that China's growth will still be rampant in the long term, the Group will continue to explore new investments with good potentials in the region.

PURCHASE, SALE AND REDEMPTION OF LISTING SECURITIES

During the year under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the listed securities in the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2007.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2007, with deviations from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors of the Company are subject to the retirement by rotation at each annual general meeting under Articles 76, 79 and 80 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s Corporate Governance Practices are no less exacting than those in the Code.

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and the Managing Director, Mr. Duncan Chiu of the Company. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group’s policy and structure for all remuneration of directors and senior management.

AUDIT COMMITTEE

The Company has established an Audit Committee. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the Code and are available on the Company’s website at www.feholdings.com.hk.

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the financial statements. The Audit Committee comprises three independent non-executive directors, namely, Dr. Lee G. Lam, Mr. Hing Wah Yim and Mr. Eugene Yun Hang Wang and one non-executive director, Mr. Derek Chiu.

By order of the Board

Duncan Chiu

Managing Director and Chief Executive Officer

Hong Kong, 25th April, 2008

As at the date of this announcement, the executive directors are Deacon Te Ken Chiu, J.P., Mr. Duncan Chiu and Mr. Dennis Chiu; the non-executives directors are Tan Sri Dato’ David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu and Ms. Min Tang; and independent non-executive directors are Dr. Lee G. Lam, Mr. Hing Wah Yim and Mr. Eugene Yun Hang Wang.