



遠東控股國際有限公司
Far East Holdings International Limited
(Incorporated in Hong Kong with limited liability)
(Website: <http://www.feholdings.com.hk>)
(Stock Code: 36)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2006

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, 2006 together with the comparative figures for the corresponding period in 2005 are set out as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2006

	Notes	Continuing operations		Discontinued operation		Total	
		2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Turnover	2	66,305,735	48,607,455	18,949,636	20,290,438	85,255,371	68,897,893
Sales of goods		33,502,783	33,874,829	18,949,636	20,290,438	52,452,419	54,165,267
Property rental income		1,033,189	864,733	–	–	1,033,189	864,733
Cost of sales		(30,990,767)	(30,971,368)	(20,937,398)	(21,290,852)	(51,928,165)	(52,262,220)
Gross profit (loss)		3,545,205	3,768,194	(1,987,762)	(1,000,414)	1,557,443	2,767,780
Dividend income from listed securities		694,727	671,058	–	–	694,727	671,058
Increase in fair value of held-for-trading investments		3,595,402	2,854,053	–	–	3,595,402	2,854,053
Other income		3,086,424	847,414	254,141	194,964	3,340,565	1,042,378
Distribution costs		(244,282)	(541,230)	(93,205)	(110,765)	(337,487)	(651,995)
Administrative expenses		(14,909,293)	(14,701,494)	(843,792)	(867,489)	(15,753,085)	(15,568,983)
Finance costs		(613,678)	(269,020)	(47,176)	(90,649)	(660,854)	(359,669)
Other expenses		(127,278)	(40,617)	(17,840)	(739,588)	(145,118)	(780,205)
Loss on disposal of available-for-sale investments		–	(31,278)	–	–	–	(31,278)
Imputed interest on debt component of convertible note		700,846	–	–	–	700,846	–
Decrease in fair value of embedded derivative of convertible note		(387,668)	–	–	–	(387,668)	–
Increase in fair value of investment properties		1,422,269	3,400,000	–	–	1,422,269	3,400,000
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		16,804,646	2,872,542	–	–	16,804,646	2,872,542
Net (loss) gain on deemed disposal of an associate		(1,648,160)	11,320,610	–	–	(1,648,160)	11,320,610
Share of results of associates		(11,763,146)	9,332,317	–	–	(11,763,146)	9,332,317
Share of results of a jointly controlled entity		–	(1,215,879)	–	–	–	(1,215,879)
Profit (loss) before taxation	3	13,722,404	18,266,670	2,839,840	(2,613,941)	16,562,244	15,652,729
Taxation	4	(371,654)	(659,254)	–	–	(371,654)	(659,254)
Profit (loss) for the year		13,350,750	17,607,416	2,839,840	(2,613,941)	16,190,590	14,993,475
Attributable to:							
Equity holders of the Company						15,962,052	14,907,576
Minority interests						228,538	85,899
						16,190,590	14,993,475
Dividend	6					–	–
Earnings per share – Basic	5						(restated)
– from continuing and discontinued operations						14.6 HK cents	20.2 HK cents
– from continuing operations						12.0 HK cents	23.8 HK cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2006

	Notes	2006 HK\$	2005 HK\$
NON-CURRENT ASSETS			
Investment properties		41,040,000	36,040,000
Property, plant and equipment		11,734,867	14,744,934
Prepaid lease payments		1,131,911	3,466,534
Interests in associates		39,593,645	64,138,770
Interest in a jointly controlled entity		–	1,583,310
Available-for-sale investments		12,512,564	8,567,359
Deposits paid for acquisition of property		2,700,260	3,440,053
Investment in convertible note		4,962,049	–
		113,675,296	131,980,960
CURRENT ASSETS			
Prepaid lease payments		82,439	204,179
Held-for-trading investments		38,023,174	33,374,424
Inventories		6,444,064	6,493,160
Trade and other receivables	7	3,528,446	11,804,967
Amount due from an associate		639,629	661,733
Amount due from a minority shareholder		4,746,762	5,551,241
Amount dues from related companies		16,143,448	–
Tax prepaid		103,649	20,650
Pledged bank deposits		3,209,560	4,851,380
Deposits held at financial institutions		4,171,212	54,664
Bank balances and cash		40,526,459	41,573,679
		117,618,842	104,590,077
CURRENT LIABILITIES			
Trade and other payables	8	10,159,489	26,066,873
Amounts due to directors		1,391,687	3,688,421
Amount due to a minority shareholder		297,038	1,312,035
Amounts due to related companies		1,619,438	1,557,088
Amount due to a jointly controlled entity		–	507,550
Bank and other loans		10,886,860	15,272,939
Obligations under a finance lease – due within one year		119,925	101,727
		24,474,437	48,506,633
NET CURRENT ASSETS		93,144,405	56,083,444
		206,819,701	188,064,404

Notes

CAPITAL AND RESERVES

	2006 HK\$	2005 HK\$
Share capital	1,094,506	995,007
Reserves	187,981,414	170,218,953
Equity attributable to equity holders of the Company	189,075,920	171,213,960
Minority interests	16,476,689	15,772,931
	205,552,609	186,986,891

NON-CURRENT LIABILITIES

	2006 HK\$	2005 HK\$
Obligations under a finance lease – due after one year	249,949	374,907
Deferred taxation	1,017,143	702,606
	1,267,092	1,077,513
	206,819,701	188,064,404

Notes:

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current and prior accounting years have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) – INT 7	Applying the Restatement Hyperinflationary HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC) – INT 11	HKFRS2 – Group and Treasury Share Transactions ⁷
HK(IFRIC) – INT 12	Service Concession Arrangements ⁸

- 1 Effective for annual periods beginning on or after 1st January, 2007.
- 2 Effective for annual periods beginning on or after 1st January, 2009.
- 3 Effective for annual periods beginning on or after 1st March, 2006.
- 4 Effective for annual periods beginning on or after 1st May, 2006.
- 5 Effective for annual periods beginning on or after 1st June, 2006.
- 6 Effective for annual periods beginning on or after 1st November, 2006.
- 7 Effective for annual periods beginning on or after 1st March, 2007.
- 8 Effective for annual periods beginning on or after 1st January, 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 segment 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.

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\$	
TURNOVER					
External sales	31,769,763	1,033,189	33,502,783	18,949,636	85,255,371
RESULTS					
Segment results	(6,501,812)	2,073,328	6,094	(2,942,599)	(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
Loss on deemed disposal of an associate					(1,648,160)
Share of results of associates					(11,763,146)
Profit before taxation					16,562,244
Taxation					(371,654)
Profit for the year					16,190,590

2005

	Continuing operations		Discontinued operations		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\$	
TURNOVER					
External sales	13,867,893	864,733	33,874,829	20,290,438	68,897,893
RESULTS					
Segment results	(8,335,548)	4,558,459	219,937	(2,718,256)	(6,275,408)
Other income					1,042,378
Finance costs					(359,669)
Unallocated expenses					(1,064,162)
Gain on disposal of interest in an associate					2,872,542
Gain on deemed disposal of an associate					11,320,610
Share of results of associates					9,332,317
Share of results of a jointly controlled entity	-	(1,215,879)	-	-	(1,215,879)
Profit before taxation					15,652,729
Taxation					(659,254)
Profit for the year					14,993,475

3. Profit (loss) before taxation

	Continuing operations		Discontinued operation		Consolidated	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Profit (loss) before taxation has been arrived at after charging (crediting):						
Amortisation of prepaid lease payments	82,439	82,439	121,740	121,740	204,179	204,179
Auditor's remuneration	666,667	658,000	7,333	8,000	674,000	666,000
Cost of inventories recognised as expense	30,938,975	30,936,790	20,937,398	21,290,852	51,876,373	52,227,642
Depreciation	3,025,684	3,037,113	197,987	99,627	3,223,671	3,136,740
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$1,394,000 (2005: HK\$1,048,235)	12,719,213	15,756,051	1,204,667	1,335,013	13,923,880	17,091,064
Exchange (gain) loss, net	(1,133,387)	308,053	-	(194,150)	(1,133,387)	113,903
Impairment loss on interests in an associate	240	-	-	-	240	-
Loss on disposal of property, plant and equipment	17,409	16,844	-	-	17,409	16,844
Operating lease in respect of rented premise	327,646	273,202	-	-	327,646	273,202
Share of tax of associates (included in share of results of associates)	2,560,396	1,309,702	-	-	2,560,396	1,309,702
Write off of amount due from an associate	22,104	-	-	-	22,104	-
and after crediting:						
Dividend income from available-for-sale investment	165,669	79,026	-	-	165,669	79,026
Rental income from investment properties, less outgoing of HK\$51,791 (2005: HK\$34,579)	981,398	830,154	-	-	981,398	830,154

4. Taxation

	Continuing operations		Discontinuing operation		Consolidated	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
The charge comprises:						
PRC enterprise income tax:						
Current year	54,967	55,303	-	-	54,967	55,303
Underprovision in prior years	2,150	125,248	-	-	2,150	125,248
Deferred taxation	57,117	180,551	-	-	57,117	180,551
	314,537	478,703	-	-	314,537	478,703
	371,654	659,254	-	-	371,654	659,254

PRC enterprise income tax is calculated at 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%.

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:

	2006 HK\$	2005 HK\$
Earnings		
Earnings for the purpose of basic earnings per share	15,962,052	14,907,576
	2006	2005 (restated)

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	2006	2005
	109,450,595	73,736,649

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

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 for both years.

No adjustment has been made for the potential ordinary shares of the associate because the exercise thereof would result in a decrease in loss per share in 2006. The effect of dilutive potential ordinary shares of an associate was considered to be insignificant in 2005.

From continuing operations

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

	2006 HK\$	2005 HK\$
Earnings		
Earnings for the year attributable to equity holders of the Company	15,962,052	14,907,576
Less: (Profit) loss for the year from discontinued operation	(2,839,840)	2,613,941
Earnings for the purposes of basic earnings per share from continuing operations	13,122,212	17,521,517

The denominators used are the same as these detailed above for both basic earnings per share.

From discontinued operations

Basic earning per share for discontinued operation in 2006 is 2.6 HK cents per share (2005: loss per share 3.6 HK cents), based on the profit for the year from discontinued operation of HK\$2.8 million (2005: loss for the year HK\$2.6 million). The denominators used is the same as that detailed above for basic earnings per share.

6. Dividend

The Director do not recommended the payment of a dividend for the year.

7. Trade and other receivables

For sales of goods, the Group has a policy of allowing a credit period of 30 days to 90 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	
	2006 HK\$	2005 HK\$
0-30 days	-	2,270,048
31-60 days	894,601	1,023,174
61-90 days	-	2,110,841
Over 90 days	241,809	5,707,376
Total trade receivables	1,136,410	11,111,439
Other receivables	2,392,036	693,528
	3,528,446	11,804,967

8. Trade and other payables

The aged analysis of trade payables is as follows:

	THE GROUP	
	2006 HK\$	2005 HK\$
0-30 days	-	3,105,979
31-60 days	520,114	832,323
61-90 days	-	879,792
Over 90 days	3,077	9,770,844
Total trade payables	523,191	14,588,938
Other payables	9,636,298	11,477,935
	10,159,489	26,066,873

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT CORPORATE RESULTS

For the year ended 31st December, 2006, the Company and its subsidiaries (the "Group") generated a turnover from continuing operations of approximately HK\$66.3 million (2005: HK\$48.6 million), representing an increase of 36.4% compared with last year due to substantial increase in securities investment and trading activities.

The Group had earned a net profit attributable to equity holders of the Company approximately HK\$15.96 million (2005: HK\$14.91 million), an increase 7% from last year because of gain on disposal of entire equity interests in a jointly controlled entity and disposal of partial equity interests in an associate. The earnings per share from continuing and discontinued operations for the year ended 31st December, 2006 was HK\$14.6 cents (2005: HK\$20.2 cents, restated), a decrease of 27.72% over last year.

DIVIDEND

No interim dividend was paid during the year and no final dividend was recommended by the directors.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2006, the Group had cash and bank balances, pledged deposits and deposits held at financial institutions amounting to HK\$47.91 million (2005: HK\$46.48 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, 2006, the Group had total borrowings of HK\$11.26 million (2005: HK\$15.75 million) of which HK\$11.01 million (2005: HK\$15.37 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, 2006 declined to 5.95% (2005: 9.2%). The Group's current ratio (current assets to current liabilities) as at 31st December, 2006 has increased to 4.81 (2005: 2.16, restated). On the whole, the financial position and liquidity of the Group is healthy and stable.

CAPITAL STRUCTURE

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 23rd May, 2006, 9.95 million shares were issued and allotted on 30th May, 2006 as fully paid up by way of an one for ten bonus issue in respect of which an amount of HK\$0.1 million was applied to the credit of the share premium account. Accordingly, the Company's issued share capital was increased from HK\$1 million to HK\$1.1 million by the bonus issue of 9.95 million shares of HK\$0.01 each in the share capital of the Company. The new ordinary shares rank pari passu with the existing shares in all respect.

PLEDGE OF ASSETS

At 31st December, 2006, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK\$41.3 million (2005: HK\$42.1 million, restated) to banks, financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK\$32.9 million (2005: HK\$51.4 million, restated).

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

At 31st December, 2006, the Group had no significant contingent liabilities (2005: Nil).

Capital Commitments

On 27 September 2006, Jubilee Star Limited ("Jubilee Star"), a 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 Aikailan Aviation Technology Co. Ltd. ("Beijing Kailan") into an equity joint venture through capital injection of approximately RMB20.47 million into Beijing Kailan by Jubilee Star. Upon completion of the transformation, China Aviation and Jubilee Star will own a 68% and 32% equity interest in Beijing Kailan respectively. The obligation of Jubilee Star to contribute capital of approximately RMB20.47 million is conditional upon the fulfillment of certain terms and conditions and approval from relevant authorities.

At 31st December, 2006, the Group had a capital commitment of HK\$24.3 million (2005: Nil) contracted but not provided for regarding the purchase of Flat C on 22 Floor of Tower 3, Tregunter, with car park space No. 26 on level 5 of Tower 3, No. 14 Tregunter Path, Hong Kong.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, the China Entertainment (Jiangsu) Development Limited (a wholly-owned subsidiary of the Company) entered into a conditional share transfer agreement with the 無錫市新業建設發展公司 for the disposal of 65% equity interest in Wuxi Cheeran Property Company Limited at a consideration of RMB15.5 million.

The company acquired of HK\$8.3 million principal amount of the Convertible Notes of Golife Concepts Holdings Limited (the "Golife") from First Vantage Limited on 25 August 2006 at a consideration of HK\$4.98 million. The Company has already purchased 54,223,600 Golife shares in open market of Stock Exchange and subscription offer shares from Golife during the period from 2 December 2005 to 14 July 2006 at a consideration of approximately HK\$5.5 million.

On 7 November 2006, the Company disposed of 5 million Chinasoft International Limited (the "Chinasoft") shares to KGI Asia Limited, for a consideration of HK\$5.95 million. Subsequently, on 13 November 2006, the Company further disposed of 15 million Chinasoft shares to ABN•AMRO Bank N.V., for a consideration of HK\$18 million.

On 13 November 2006 the Company disposed its entire 90% equity interest in Goldtrack Limited (the "Goldtrack") the principal underlying asset of which was 70% equity interest in Suzhou Goldtract Commodity Concrete Company Limited (the "Suzhou Goldtract") which was operating one commodity concrete plant in Suzhou, the PRC for a consideration of HK\$1.00.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2006, the Group had approximately 500 employees in Hong Kong and PRC (2005: 600 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 13,337,720 share options has been granted and outstanding as at 31 December 2006.

BUSINESS REVIEW AND PROSPECTS

Information Technology Holdings

Chinasoft is an associate of the Group listed in the Growth Enterprise Market (Stock code: 8216). Chinasoft has recorded a net loss of RMB66,593,000 for the year ended 31st December 2006. However, the reason for Chinasoft to jump from profit to loss is mainly due to two exceptional items which include an amount of RMB110,558,000 of the effect of adoption of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" HKAS39 in relation to redeemable convertible preferred shares and another amount of RMB10,764,000 of the issuing expenses for redeemable convertible preferred shares. If the two exceptional items totaling RMB121,322,000 were deducted from the Audited Loss attributable to Shareholders of RMB66,593,000 as per the annual result, the adjusted annual result would be RMB54,729,000 in profit rather than a loss.

Comparing the adjusted annual result for the year ended 31st December, 2006 of RMB54,729,000 (audited loss add back exceptional items) to annual result for the year ended 31st December, 2005 of RMB39,656,000 net profits a growth of 38% rather than a severe loss was achieved.

The year of 2006 saw Chinasoft consolidated its leading position in providing e-Tobacco and e-Audit solutions and we also saw rapid growth in IT outsourcing services. There were also several successful acquisitions in 2006 and with the announced merger and acquisition with Hinge Global Resource Inc. scheduled to be completed in 2007. Chinasoft will scale up its operations further and we shall see rapid growth in 2007.

Industrial Holdings

For the industrial division, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (the "Jiangsu Bang Bang") records a slight decrease in sales of 4% approximately to RMB34.21 million (2005: RMB35.62 million) over last year. Currently, Japanese customers purchased majority of its products and a weak Japanese Yen (the "YEN") will discourage our customers from increasing orders. YEN has stayed weak throughout 2006 and to reduce impacts from currency fluctuations in 2007, Management has spent effort in expanding sales in PRC market.

Property Division

Rental incomes were increased by 19% approximately to HK\$1.03 million in 2006 (2005: HK\$0.86 million). It was attributable to rental income contribution from Kwai Cheung Fa Yuen at Kwai Chung. In view of the steady rise of property market in Hong Kong, management is optimistic that property division will maintain steady incomes and cash flow.

OUTLOOK

The Company has changed its name from Far East Technology International Limited to Far East Holdings International Limited on 27 February, 2007. The board believes that this action is necessary and that the new company name will more appropriately represent the Group's business nature. The management will continue to spend our best efforts to search for investment opportunities in the Greater China region and optimise returns for our shareholders.

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, 2006.

CORPORATE GOVERNANCE

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2006, 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. Ryan Yen Hwung Fong 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. A meeting was held during the financial year ended 31st December, 2006.

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 two independent non-executive directors, namely, Dr. Lee G. Lam and Mr. Ryan Yen Hwung Fong and one non-executive director, Mr. Derek Chiu.

By order of the Board
Duncan Chiu
Managing Director and Chief Executive Officer

Hong Kong, 20 April, 2007

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. Ryan Yen Hwung Fong and Mr. Hing Wah Yim.