FAR EAST HOTELS AND ENTERTAINMENT LIMITED

遠東酒店實業有限公司

(Incorporated in Hong Kong with limited liability)

(Website: http://www.tricor.com.hk/webservice/00037)

(Stock Code: 0037)

Announcement
Final Results For The Year Ended 31 March 2007

RESULTS

The Board of Directors (the "Board") of Far East Hotels And Entertainment Limited (the "Company") announces that the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007 are set out as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2007

	NOTES	2007 HK$	2006 HK$
Turnover	2	**165,905,299**	63,528,819
Revenue from hotel operation		**13,662,525**	12,861,220
Property rental income		**6,056,855**	6,201,153
License fee income		**637,255**	1,260,730
Cost of sales		**(29,335,921)**	(27,426,755)
Gross loss		**(8,979,286)**	(7,103,652)
Dividend income from listed securities		**281,807**	306,835
Increase in fair value of held-for-trading investment		**21,069,893**	1,182,346
Decrease in fair value of available-for-sale investments		**(82,950)**	-
Other income		**1,562,702**	1,570,345
Increase in fair value of investment properties		**3,915,586**	9,945
Administrative expenses		**(17,117,458)**	(13,487,009)
Finance costs	3	**(3,747,005)**	(2,078,339)
Write off of special reserve		-	(37,225,662)
Share of results of associates		**(45,933,469)**	(13,685,451)
Loss before taxtaion		**(49,030,180)**	(70,510,642)
Taxation	4	**(400,000)**	-
Loss for the year		**(49,430,180)**	(70,510,642)
		Cents	Cents
Loss per share	5	**(10.11)**	(14.42)

CONSOLIDATED BALANCE SHEET

As at 31st March 2007

	NOTES	2007 HK$	2006 HK$
Non-current Assets			
Property, plant and equipment		**110,092,520**	113,399,358
Investment properties		**125,024,535**	54,656,000
Prepaid lease payments		**1,057,446**	10,084,070
Intangible asset		**-**	4,656,200
Interests in associates		**11,785,228**	61,615,454
Available-for-sale investments		**186,004,545**	188,943,545
Deposits for acquisition of investment properties		**-**	10,200,000
		433,964,274	443,554,627
Current Assets			
Prepaid lease payments		**28,050**	251,582
Held-for-trading investments		**20,480,520**	9,591,610
Inventories		**415,956**	418,164
Trade and other receivables	7	**2,064,018**	8,321,421
Amount due from an associate		**203,562**	200,390
Amounts due from related companies		**572,488**	672,488
Pledged bank deposits		**2,324,734**	2,238,753
Bank balances and cash		**40,230,730**	38,852,673
		66,320,058	60,547,081
Current Liabilities			
Trade and other payables	8	**7,175,104**	6,901,172
Deposits received		**463,346**	353,000
Amounts due to associates		**6,777,085**	4,651,129
Amounts due to related companies		**171,822**	135,400
Amount due to a minority shareholder		**2,213,400**	1,472,440
Obligations under finance leases - due within one year		**442,773**	507,363
Secured bank borrowings - due within one year		**4,264,068**	3,465,700
		21,507,598	17,486,204
Net Current Assets		**44,812,460**	43,060,877
		478,776,734	486,615,504
Capital And Reserves			
Share capital		**488,842,675**	488,842,675
Reserves		**(104,290,439)**	(54,105,608)
		384,552,236	434,737,067
Non-current Liabilities			
Deferred taxation		**7,919,423**	7,519,423
Provision for long service payments		**2,055,013**	2,055,013
Obligations under finance leases - due after one year		**276,200**	718,973
Secured bank borrowings - due after one year		**83,973,862**	41,585,028
		94,224,498	51,878,437
		478,776,734	486,615,504

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 (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised 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]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – Int 12	Service Concession Arrangements[7]

[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 May, 2006.
[4] Effective for annual periods beginning on or after 1st June, 2006.
[5] Effective for annual periods beginning on or after 1st November, 2006.
[6] Effective for annual periods beginning on or after 1st March, 2007.
[7] Effective for annual periods beginning on or after 1st January, 2008.

2. Business And Geographical Information

Business segments

For management purposes, the Group is currently organised into four operating divisions - hotel operation, property letting, securities investment and trading, and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operation	- operation of hotel
Property letting	- leasing of investment properties and service apartment
Securities investment and trading	- investment and trading in securities
Investment holding	- investment in sauna business licence

Segment information about these businesses is presented below.

2007

	Hotel operation HK$	Property letting HK$	Securities investment and trading HK$	Investment holding HK$	Consolidated HK$
REVENUE					
Turnover	13,662,525	6,056,855	145,548,664	637,255	165,905,299
RESULTS					
Segment (loss) profit	(696,204)	(1,931,523)	21,268,750	(3,146,882)	15,494,141
Bank interest income					690,639
Unallocated corporate expenses					(15,534,486)
Finance costs					(3,747,005)
Share of results of associates					(45,933,469)
Loss before taxation					(49,030,180)
Taxation					(400,000)
Loss for the year					(49,430,180)

2006

	Hotel operation HK$	Property letting HK$	Securities investment and trading HK$	Investment holding HK$	Consolidated HK$
REVENUE					
Turnover	12,861,220	6,201,153	43,205,716	1,260,730	63,528,819
RESULTS					
Segment (loss) profit	(1,933,496)	(6,118,513)	1,489,182	(624,670)	(7,187,497)
Bank interest income					1,032,760
Unallocated corporate expenses					(11,366,453)
Finance costs					(2,078,339)
Write off of special reserve					(37,225,662)
Share of results of associates					(13,685,451)
Loss before taxation					(70,510,642)
Taxation					-
Loss for the year					(70,510,642)

	Sales revenue by geographical market 2007 HK$	2006 HK$
Hong Kong	159,848,444	57,336,066
Other regions in the PRC	6,056,855	6,192,753
	165,905,299	63,528,819

3. Finance Costs

	2007 HK$	2006 HK$
Interest on bank and other borrowings:		
Wholly repayable within five years	6,728	31,310
Not wholly repayable within five years	3,650,749	2,016,465
Interest on finance leases	89,528	30,564
	3,747,005	2,078,339

4. Taxation

Taxation charge represents the deferred taxation charged for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries have no assessable profit in both years.

5. Loss Per Share

The calculation of basic loss per share is based on the loss for the year of HK$49,430,180 (2006: loss of HK$70,510,642) and 488,842,675 (2006:488,842,675) ordinary shares in issue during the year.

No diluted loss per share for both years is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share for both years.

6. Depreciation And Amortisation

During the year, depreciation of HK$8,990,868 (2006: HK$8,081,989) was charged in respect of the Group's property, plant and equipment.

Amortisation on intangible asset of HK$1,885,400 (2006:HK$1,885,400) was charged during the year.

7. Trade And Other Receivables

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$	HK$
0 - 30 days	200,500	79,157
31 - 60 days	23,081	40,100
Over 60 days	114,422	296,086
Trade receivables	338,003	415,343
Other receivables	1,726,015	7,906,078
	2,064,018	8,321,421

8. Trade And Other Payables

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$	HK$
0 - 30 days	800,790	668,825
31 - 60 days	229,556	356,828
Over 60 days	1,652,950	1,634,882
Trade payables	2,683,296	2,660,535
Other payables	4,491,808	4,240,637
	7,175,104	6,901,172

DIVIDENDS

The Board does not recommend the payment of any dividend for the year (2006: Nil).

REVIEW OF OPERATIONS

The overall turnover of Cheung Chau Warwick Hotel has increased by 6% compared with last year. During the year under review, the room turnover increased by 36% while the occupancy rate increased by 7.5%. The rooms division has achieved 5% growth in profit margin. In view of more competition in the local catering market in Cheung Chau, the turnover of the food and beverage division has slightly decreased compared with last year. Despite the increase in operating cost, the food and beverage division has achieved a steady profit margin.

The turnover of Beijing Warwick International Apartments has slightly decreased by 2% compared with last year. Nevertheless, the loss has been narrowed due to cost saving.

In securities investment and trading, the Group has recorded a profit of approximately HK$21 million.

The Company has re-assessed the carrying value of its investment in an associated company which holds interest in land situated in Sydney, Australia and has decided to make an impairment provision of approximately HK$49 million on its total investment cost

PROSPECTS

The first floor guest rooms upgrading work of Cheung Chau Warwick Hotel has been completed by April 2007. Facilities such as the Multiple-Function Room, the Spa Room and the Executive Lounge are tentatively scheduled to be completed by the end of July, and before the end of this year respectively.

The management believes that by adding these facilities, they can help to enhance our image as a resort hotel, enable us to accommodate guests with higher expectations, also broaden the clientele market, and as a result an increment in our total revenue.

For the coming year, the food and beverage division will try to broaden the stream of income, namely wedding banquets, poolside food and beverage service, etc..

For Beijing Warwick International Apartments, the management has strengthened its sales team and has widened its sales network. With the approaching of the 2008 Olympic Games event and the improvement of surrounding environment and facitlities, the management believes that the turnover of Beijing Warwick International Apartments will further increase.

EMPLOYEES

The Group has approximately 100 employees. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees.

FINANCE ACTIVITIES

At 31 March 2007, the Group had bank credit facilities amounting to approximately HK$97,238,000 (2006: HK$57,169,000), of which approximately HK$88,238,000 (2006: HK$45,051,000) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits.

At 31 March 2007, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2007 amounted to approximately HK$385 million (2006: approximately HK$435 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 31 March 2007 is 23% (2006: 10%).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Model Code. 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 31 March 2007.

CORPORATE GOVERNANCE

The Company has complied with the Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2007, with deviations from code provision A.4.1 and A.4.2 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 and Managing Director is not subject to re-election by rotation by the Company's Articles of Association (the "Articles") 76. This constitutes a deviation from code provision A.4.1 and A.4.2 of the Code. However, all Directors of the Company excluding Managing Director are subject to the retirement by rotation at each annual general meeting under Articles 79 and 80 of the Company. In view of good Corporate Governance Practices, Managing Director voluntarily retired from his office at the annual general meeting of the Company held on 24 August 2006 notwithstanding that he was not required to do so by the Company's Article 76. 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2007 approved by the directors.

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. 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.

POST BALANCE SHEET EVENTS

On 1 June 2007, a special resolution was passed in an extraordinary general meeting to approve capital reduction of the Company. After the capital reduction becomes effective, the Company will have a capital structure that permits the payment of dividends (subject to performance) and the issue of new shares for potential future fund raising exercises.

At the same extraordinary general meeting held on 1 June 2007, the ordinary resolution to approve the adoption of a new share option scheme that complies with the Listing Rules was duly passed by the shareholders.

Details of the capital reduction and the share option scheme are set out in the Company's circular dated 4 May 2007.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is available for viewing on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at http://www.tricor.com.hk/webservice/00037. The annual report will be despatched to the shareholders of the Company and will be published on the same websites in due course.

On behalf of the Board

Derek Chiu
Managing Director & Chief Executive
23 July 2007

As at the date of this announcement, the executive Directors are Mr. Deacon Te Ken Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu; the non-executive Directors are Mrs. Chiu Ju Ching Lan, Mr. Dick Tat Sang Chiu, Mr. David Chiu, Mr. Dennis Chiu, Mr. Duncan Chiu; the independent non-executive Directors are Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond; alternate Directors are Mr. Chan Chi Hing (alternate Director to Mr. Deacon Te Ken Chiu), Mr. Tang Sung Ki (alternate Director to Mr. Desmond Chiu).