FAR EAST HOTELS AND ENTERTAINMENT LIMITED

遠東酒店實業有限公司

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 0037)

Announcement

Interim Results For The Six Months Ended 30 September 2008

INTERIM RESULTS

The Board of Directors (the "Board") of Far East Hotels And Entertainment Limited (the "Company") announces that the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008 are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Notes	Six months ended 30 September **2008** **(unaudited)** **HK$**	 2007 (unaudited) HK$
Revenue from hotel operation		**8,727,114**	8,258,442
Property rental income		**6,769,197**	3,855,265
Cost of sales		**(15,131,236)**	(12,864,973)
		365,075	(751,266)
Dividend income from listed securities		**337,902**	33,241
(Decrease) Increase in fair value of held-for-trading investments		**(16,928,258)**	22,674,665
Other income		**66,102**	901,224
Gain on disposal of investment properties		**-**	50,010
Increase in fair value of financial liabilities at fair value through profit and loss		**(2,749,799)**	-
Administrative expenses		**(6,152,661)**	(8,132,900)
Finance costs	5	**(1,127,461)**	(2,324,783)
Share of results of associates		**210,706**	268,798
(Loss) Profit before taxation		**(25,978,394)**	12,718,989
Taxation	6	**-**	-
(Loss) Profit for the period		**(25,978,394)**	12,718,989
		Cents	Cents
(Loss) Earnings per share - Basic	7	**(5.31)**	2.60

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2008

	Notes	**30/09/2008 (unaudited) HK$**	31/03/2008 (audited) HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**105,767,655**	106,371,482
Investment properties		**143,014,342**	143,014,342
Prepaid lease payments		**1,015,456**	1,029,464
Interests in associates	8	**4,709,150**	4,535,780
Available-for-sale investments		**180,411,545**	180,411,545
Other non-current assets		**4,982,173**	3,373,523
		439,900,321	438,736,136
CURRENT ASSETS			
Prepaid lease payments		**28,016**	28,016
Held-for-trading investments		**15,824,305**	22,517,895
Inventories		**519,254**	437,303
Trade and other receivables	9	**3,588,813**	3,468,789
Deposits and prepayment		**9,899,492**	7,214,889
Amount due from an associate		**203,562**	203,562
Amounts due from related companies		**472,489**	472,489
Pledged bank deposits		**2,430,133**	2,410,948
Bank balances and cash		**4,333,088**	19,457,028
		37,299,152	56,210,919
CURRENT LIABILITIES			
Trade and other payables	10	**6,923,327**	6,310,615
Deposits received		**1,457,290**	1,499,709
Amount due to associates		**3,280,381**	1,697,717
Amount due to related companies		**238,011**	212,406
Amount due to a minority shareholder		**3,251,420**	1,718,594
Secured bank borrowings - due within 1 year		**5,469,870**	5,195,638
Unsecured bank borrowings - due within 1 year		**5,000,000**	-
Financial liabilities at fair value through profit and loss		**3,247,434**	497,635
		28,867,733	17,132,314
NET CURRENT ASSETS		**8,431,419**	39,078,605
		448,331,740	477,814,741
CAPITAL AND RESERVES			
Share capital	11	**48,884,268**	48,884,268
Reserves		**310,422,307**	337,157,233
		359,306,575	386,041,501
NON-CURRENT LIABILITIES			
Deferred taxation		**11,741,752**	11,741,752
Provision for long service payments		**2,055,013**	2,055,013
Secured bank borrowings - due after 1 year		**75,228,400**	77,976,475
		89,025,165	91,773,240
		448,331,740	477,814,741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis Of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and should be read in conjunction with the 2008 annual financial statements.

2. Application Of New And Revised Hong Kong Financial Reporting Standards

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2008 except as described below:

In current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs"), issued by the HKICPA that is effective for accounting periods beginning on or after 1st April, 2008. 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 periods 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 application of these standards, amendment 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]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[3]
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[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 July, 2008
[4] Effective for annual periods beginning on or after 1st October, 2008

Certain comparative figures for prior accounting period have been restated to conform with the current period's presentation.

3. Business And Geographical Segments

Business segments

	Hotel operation HK$	Property letting HK$	Securities investment and trading HK$	Investment holding HK$	Consolidated HK$
2008	Six months ended 30 September (unaudited)				
REVENUE	**8,727,114**	**6,769,197**	-	**-**	**15,496,311**
RESULTS					
Segment profit (loss)	**914,810**	**(549,735)**	**(19,340,155)**	**12,269**	**(18,962,811)**
Bank interest income					**53,833**
Unallocated corporate expenses					**(6,152,661)**
Finance costs					**(1,127,461)**
Share of results of associates					**210,706**
Loss before taxation					**(25,978,394)**
Taxation					-
Loss for the period					**(25,978,394)**
2007	Six months ended 30 September (unaudited)				
REVENUE	8,258,442	3,855,265	-	-	12,113,707
RESULTS					
Segment profit (loss)	611,302	(1,362,568)	22,707,906	219,745	22,176,385
Bank interest income					681,479
Gain on disposal of investment property					50,010
Unallocated corporate expenses					(8,132,900)
Finance costs					(2,324,783)
Share of results of associates					268,798
Profit before taxation					12,718,989
Taxation					-
Profit for the period					12,718,989

Geographical segments

	Sales revenue by geographical market	
	2008 (unaudited) HK$	2007 (unaudited) HK$
Hong Kong	**9,619,633**	8,258,442
Other regions in the People's Republic of China	**5,876,678**	3,855,265
	15,496,311	12,113,707

4. Depreciation And Amortisation

During the period, depreciation of HK$4,268,406 (2007: HK$3,977,655) was charged in respect of the Group's property, plant and equipment.

During the period, amortisation of HK$14,008 (2007: HK$14,008) was charged in respect of the Group's prepaid lease payments.

5. Finance Costs

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank and other borrowings:		
Wholly repayable within 5 years	**436,802**	4,659
Not wholly repayable within 5 years	**690,659**	2,276,650
Interest on finance leases	-	43,474
	1,127,461	2,324,783

6. Taxation

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

7. (Loss) Earnings Per Share

(a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss for the period of HK$25,978,394 (2007: profit of HK$12,718,989) and 488,842,675 (2007: 488,842,675) ordinary shares in issue during the period.

(b) Diluted (loss) earnings per share

No diluted loss per share for the six months ended 30 September 2008 is presented as the Company does not have potential dilutive ordinary shares.

No diluted earnings per share for the six months ended 30 September 2007 has been presented because the exercise price of the Company's option was higher than the average market price per share.

8. Interests In Associates

The summarised financial information in respect of the Group's associates is set out below:

Results

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK$	HK$
Revenue	**1,829,962**	2,033,520
Profit for the period	**421,412**	537,596
Group's share of results of associates for the period	**210,706**	268,798

Financial position

	30/09/2008	31/03/2008
	(unaudited)	(audited)
	HK$	HK$
Total assets	**11,950,514**	11,754,170
Total liabilities	**(2,532,214)**	(2,682,611)
Net assets	**9,418,300**	9,071,559
Group's share of net assets of associates	**4,709,150**	4,535,780

9. 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 reporting date:

	30/09/2008	31/03/2008
	(unaudited)	(audited)
	HK$	HK$
0 - 30 days	**3,306,738**	3,409,065
31 - 60 days	**7,093**	53,974
Over 60 days	**785,527**	516,295
Trade and other receivables	**4,099,358**	3,979,334
Less: allowance for doubtful debts	**(510,545)**	(510,545)
	3,588,813	3,468,789

10. Trade And Other Payables

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

	30/09/2008 (unaudited) HK$	31/03/2008 (audited) HK$
0 - 30 days	**469,182**	974,698
31 - 60 days	**341,945**	125,830
Over 60 days	**1,915,310**	1,596,711
Trade payables	**2,726,437**	2,697,239
Other payables	**4,196,890**	3,613,376
	6,923,327	6,310,615

11. Share Capital

	Number of shares		Share capital	
	2008	2007	**2008 HK$**	2007 HK$
Authorised:				
At 1 April	750,000,000	750,000,000	75,000,000	750,000,000
Capital reduction	-	-	-	(675,000,000)
At 30 September	750,000,000	750,000,000	75,000,000	75,000,000
Issued and fully paid:				
At 1 April	488,842,675	488,842,675	48,884,268	488,842,675
Capital reduction	-	-	-	(439,958,407)
At 30 September	488,842,675	488,842,675	48,884,268	48,884,268

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 1st June, 2007, and the subsequent Order of the High Court of the Hong Kong Special Administrative Region (the "High Court") granted on 20th July, 2007, the Company effected a capital reduction which took effect on 20th July, 2007 (the "Capital Reduction"). The paid-up capital on each of its issued ordinary share of HK$1.00 was cancelled to the extent of HK$0.90 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK$1.00 per share to HK$0.10 per share.

12. Commitments

(a) Operating lease arrangements

The Group as lessee:
At 30/09/2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30/09/2008 (unaudited) HK$	31/03/2008 (audited) HK$
Within one year	**4,791,567**	4,656,836
In the second to fifth year inclusive	**19,166,267**	18,627,342
Over five years	**52,707,235**	53,553,609
	76,665,069	76,837,787

The Group as lessor:

	30/09/2008 (unaudited) HK$	31/03/2008 (audited) HK$
Within one year	**3,598,666**	3,066,335
In the second to fifth year inclusive	**-**	277,193
	3,598,666	3,343,528

Property rental income earned during the period was HK$6,769,197 (2007: HK$3,855,265).

(b) Capital commitments

	30/09/2008 (unaudited) HK$	31/03/2008 (audited) HK$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	-	66,250
Acquisition of investment properties	27,394,650	-
	27,394,650	66,250

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

OVERALL RESULTS

For the six months ended 30 September 2008, Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net loss attributable to shareholders of HK$25,978,394 (30/09/2007: net profit of HK$12,718,989).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2008 (2007: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has increased by 6% compared with last corresponding period. This increment is due to the various promotions from both rooms division and food & beverage division. In view of the current worldwide economic crisis, Cheung Chau Warwick Hotel will launch different special promotions from time to time to attract more business from local and overseas markets, including mainland China and Macau. The food & beverage division will offer more attractive menu in order to keep our customers and further enhance the market share.

The turnover of Beijing Warwick Suite Hotel has increased by 52% compared with last corresponding period. During the period, the renovation work of all the rooms on Level 1, Level 2 and the external wall of the main building (East Building) of Beijing Warwick Suite Hotel has been completed. New facilities such as conference service are available. The restaurant has been moved from the basement to Level 1, thus making the environment greatly improved. For the aspect of sales, more emphasis will be placed on both local and overseas short term business clients and overseas tours.

In securities investment and trading, the Group has recorded a loss of approximately HK$19.34 million.

On 29 May 2008, the Group has acquired two pre-sale units in phase 1 of the property development "Celestial Heights" at 80 Sheung Shing Street, Homantin, Kowloon at a total consideration of HK$32,229,000. According to the pre-sale brochure, the anticipated completion date of the construction of the building in this development is 31 July 2009. The Directors believe that the acquisitions will improve the Group's operating performance and widen its asset base.

In the long run, the Company will seek more business opportunities to maximize its return.

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 30/09/2008, the Group had bank credit facilities amounting to approximately HK89,698,000 (31/03/2008: HK$92,172,000), of which approximately HK$85,698,000 (31/03/2008: HK$83,172,000) were utilised. These facilities, other than HK$5,000,000 which was unsecured, were secured by legal mortgages over the Group's properties and deposits.

At 30/09/2008, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/09/2008 amounted to approximately HK$359 million (31/03/2008: approximately HK$386 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 30/09/2008 is 24% (31/03/2008: 22%).

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008.

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 and A.4.2 of the Code. However, all Directors of the Company are subject to the retirement by rotation at each annual general meeting under Articles 78 and 79 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.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and one non-executive director, Mr. Duncan Chiu.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2008.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises two independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director of the Company, Mr. Derek Chiu. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2008.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 www.tricor.com.hk/webservice/00037. The interim 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
Hong Kong, 12 December 2008

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).