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FAR EAST HOTELS AND ENTERTAINMENT LIMITED
遠東酒店實業有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0037)

Announcement
Interim Results For The Six Months Ended 30 September 2010

INTERIM RESULTS

The Board of Directors (the "Board") of Far East Hotels And Entertainment Limited (the "Company") announces that the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	Six months ended 30 September **2010** **(unaudited)** **HK$**	2009 (unaudited) HK$
Revenue		**14,947,443**	13,750,743
Cost of sales		**(14,233,713)**	(13,956,538)
Gross profit (loss)		**713,730**	(205,795)
Dividend income from held-for-trading investments		**280,555**	246,110
(Decrease) increase in fair value of held-for-trading investments		**(79,823)**	4,470,167
Other income		**513,826**	31,445
Gain on disposal of investment property		**-**	4,803,681
Decrease in fair value of financial liabilities at fair value through profit or loss		**-**	540,425
Administrative expenses		**(8,004,239)**	(6,639,545)
Finance costs	5	**(769,472)**	(929,335)
Share of results of associates		**155,639**	512,211
(Loss) profit before taxation		**(7,189,784)**	2,829,364
Taxation	6	**-**	-
(Loss) profit for the period		**(7,189,784)**	2,829,364

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2010

		Six months ended 30 September	
		2010	2009
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Other comprehensive expenses for the period			
Exchange differences arising on translation of foreign operations		**(970,716)**	(30,944)
Total comprehensive (expenses) income for the period		**(8,160,500)**	2,798,420
		Cents	Cents
(Loss) earnings per share - Basic	7	**(1.47)**	0.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	**30/09/2010 (unaudited) HK$**	31/03/2010 (audited) HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**91,814,387**	94,794,240
Paintings		**4,220,000**	4,220,000
Investment properties		**99,881,420**	99,881,420
Prepaid lease payments		**959,423**	973,432
Interests in associates		**1,920,613**	1,764,974
Interest in a jointly controlled entity		**565,186**	565,186
Loan to a jointly controlled entity	8	**8,432,592**	8,432,315
Available-for-sale investments		**159,188,314**	159,188,314
		366,981,935	369,819,881
CURRENT ASSETS			
Prepaid lease payments		**28,016**	28,016
Held-for-trading investments		**12,799,565**	13,956,410
Inventories		**516,130**	507,469
Trade and other receivables	9	**208,895**	305,493
Deposits and prepayment		**1,820,940**	1,990,008
Amount due from an associate		**193,562**	203,562
Pledged bank deposits		**2,137,328**	2,135,306
Bank balances and cash		**3,234,734**	4,145,215
		20,939,170	23,271,479
CURRENT LIABILITIES			
Trade and other payables	10	**10,145,529**	9,635,241
Deposits received		**3,112,620**	3,465,706
Amounts due to directors		**234,041**	-
Amounts due to associates		**1,310,381**	1,200,381
Amounts due to related companies		**460,894**	434,516
Amount due to a minority shareholder		**4,458,599**	4,039,599
Bank borrowings - due within one year	11	**8,620,024**	9,443,212
		28,342,088	28,218,655
NET CURRENT LIABILITIES		**(7,402,918)**	(4,947,176)
		359,579,017	364,872,705

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2010

	Notes	**30/09/2010 (unaudited) HK$**	31/03/2010 (audited) HK$
CAPITAL AND RESERVES			
Share capital	12	**48,884,268**	48,884,268
Reserves		**239,224,900**	247,385,400
		288,109,168	296,269,668
NON-CURRENT LIABILITIES			
Deferred taxation		**8,197,754**	8,197,754
Provision for long service payments		**2,055,013**	2,055,013
Bank borrowings - due after one year	11	**61,217,082**	58,350,270
		71,469,849	68,603,037
		359,579,017	364,872,705

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 2010 annual financial statements.

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

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 31 March 2010 except as described below:

In the current period, the Group has applied the following new and revised Standards, Amendments and Interpretations (collectively the “new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. Segment information

The Group is currently organized into four operating segments as follows:

Hotel operation – operation of a hotel in Hong Kong
Hotel operation and property letting – operation of a hotel and property letting in the People's Republic of China ("PRC"), excluding Hong Kong
Property investment - investment properties and property letting in Hong Kong
Securities investment and trading

Segment information for prior period has been restated to conform with the current period's presentation.

The following is an analysis of the Group's revenue and results by operating segments:

	Hotel operation - Hong Kong HK$	Hotel operation and property letting - PRC excluding Hong Kong HK$	Property investment - Hong Kong HK$	Securities investment and trading HK$	Total HK$
		Six months ended 30 September (unaudited)			
2010					
REVENUE	**9,039,708**	**5,907,735**	**-**	**-**	**14,947,443**
RESULTS					
Segment profit (loss)	**1,270,213**	**(421,942)**	**(134,541)**	**200,732**	**914,462**
Unallocated income					**513,826**
Central administrative expenses					**(8,004,239)**
Finance costs					**(769,472)**
Share of results of associates					**155,639**
Loss before taxation					**(7,189,784)**
Taxation					**-**
Loss for the period					**(7,189,784)**
2009					
REVENUE	8,221,443	5,215,623	313,677	-	13,750,743
RESULTS					
Segment profit (loss)	608,214	(995,646)	4,985,318	5,256,702	9,854,588
Unallocated income					31,445
Central administrative expenses					(6,639,545)
Finance costs					(929,335)
Share of results of associates					512,211
Profit before taxation					2,829,364
Taxation					-
Profit for the period					2,829,364

Geographical information

	Revenue from external customers **2010 (unaudited) HK$**	Revenue from external customers 2009 (unaudited) HK$
Hong Kong	**9,039,708**	8,535,120
People's Republic of China (excluding Hong Kong)	**5,907,735**	5,215,623
	14,947,443	13,750,743

4. (Loss) Profit before taxation

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$	HK$
(Loss) profit before taxation has been arrived at after charging:		
Depreciation	**3,547,092**	3,878,619
Release of prepaid lease payments	**14,008**	14,008
Auditor's remuneration	**346,453**	338,021
Directors' remuneration & other staff costs		
Salaries, bonus and allowances	**6,652,890**	5,895,320
Retirement benefits cost	**414,681**	364,174
	7,067,571	6,259,494
Loss on disposal of property, plant and equipment	**9,628**	-
Operating lease rentals in respect of rental premises	**2,898,919**	2,865,905
Share of taxation of associates (included in share of results of associates)	**30,750**	101,206
and after crediting:		
Bank interest income	**2,250**	1,142
Exchange gain, net	**511,559**	30,039
Other interest income	**17**	264

5. Finance costs

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank borrowings:		
Wholly repayable within 5 years	**147,534**	84,073
Not wholly repayable within 5 years	**621,938**	845,262
	769,472	929,335

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 profits 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$7,189,784 (2009: profit of HK$2,829,364) and 488,842,675 (2009: 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 2010 was presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share.

No diluted earnings per share for the six months ended 30 September 2009 was presented as there was no potential ordinary shares outstanding during the period.

8. Loan to a jointly controlled entity

The loan to the jointly controlled entity is unsecured, interest free and has no fixed repayment terms.

The loan is not expected to be repaid within twelve months from the end of the reporting period and is therefore shown as non-current.

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 and other receivables at the end of reporting period:

	30/09/2010 (unaudited) HK$	31/03/2010 (audited) HK$
0 - 30 days	**150,513**	292,397
31 - 60 days	**33,222**	2,137
Over 60 days	**535,705**	521,504
Trade and other receivables	**719,440**	816,038
Less: allowance for doubtful debts	**(510,545)**	(510,545)
	208,895	305,493

10. Trade and other payables

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

	30/09/2010 (unaudited) HK$	31/03/2010 (audited) HK$
0 - 30 days	**499,649**	533,148
31 - 60 days	**514,182**	685,786
Over 60 days	**3,950,098**	3,564,693
Trade payables	**4,963,929**	4,783,627
Other payables	**5,181,600**	4,851,614
	10,145,529	9,635,241

11. Bank borrowings

	30/09/2010 (unaudited) HK$	31/03/2010 (audited) HK$
Bank borrowings comprise:		
Mortgage loans	**39,724,106**	41,073,482
Bank loans	**30,113,000**	26,720,000
	69,837,106	67,793,482
Secured	**67,837,106**	64,293,482
Unsecured	**2,000,000**	3,500,000
	69,837,106	67,793,482
The above borrowings are repayable as follows:		
Within one year	**8,620,024**	9,443,212
More than one year, but not exceeding two years	**6,636,427**	5,959,432
More than two years, but not exceeding five years	**24,460,698**	23,888,471
More than five years	**30,119,957**	28,502,367
	69,837,106	67,793,482
Less: Amount due within one year shown under current liabilities	**(8,620,024)**	(9,443,212)
Amount due after one year	**61,217,082**	58,350,270

12. Share capital

Ordinary shares of HK$0.10 each	**Number of shares**	**Share capital HK$**
Authorised:		
At 1 April 2010 and 30 September 2010	750,000,000	75,000,000
Issued and fully paid:		
At 1 April 2010 and 30 September 2010	488,842,675	48,884,268

13. Commitments

Operating lease arrangements

The Group as lessee:

At 30/09/2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30/09/2010 (unaudited) HK$	31/03/2010 (audited) HK$
Within one year	**4,863,926**	4,779,244
In the second to fifth year inclusive	**19,455,704**	19,116,978
Over five years	**43,775,333**	45,402,822
	68,094,963	69,299,044

The Group as lessor:

	30/09/2010 (unaudited) HK$	31/03/2010 (audited) HK$
Within one year	**2,465,545**	2,750,546
In the second to fifth year inclusive	**-**	599,454
	2,465,545	3,350,000

Property rental income earned during the period was HK$2,472,354 (2009: HK$2,736,646).

14. Subsequent event

On 9 October 2010, the Group has disposed an investment property. The completion date of the sale and purchase of the investment property is on or before 1 December 2010. The disposal is expected to enable the Company to recognize a profit of HK$1,990,000 (before expenses).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2010 (2009: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has increased by 10% compared with last corresponding period. The average occupancy rate has increased by 12% while the average room rate remained stable when compared with last corresponding period. Our Sales and Marketing Team will keep extending and exploring more markets, including China. Certain room facilities will be upgraded to increase the satisfaction of customers.

The turnover of Beijing Warwick Suite Hotel ("Beijing Warwick") has increased by 13% compared with last corresponding period. In November 2010, Beijing Warwick has successfully leased out several floors of the hotel to a company. This guarantees Beijing Warwick has a stable rental income.

In securities investment and trading, the Group has recorded a profit of approximately HK$200,000.

In early September 2010, Mr. Duncan Chiu (a non-executive director of the Company) has been charged by the Commercial Crime Bureau of the Hong Kong Police Force in respect of alleged offences including section 157H (2)(a) of the Companies Ordinance, Cap. 32 of the Laws of Hong Kong in relation to the business operations of Far East Holdings International Limited (Stock Code: 0036). The Board believes that the above matter will not have any impact on the Company.

On 9 October 2010, the Group has disposed of an investment property. The completion date of the sale and purchase of the investment property is on or before 1 December 2010. The disposal is expected to enable the Company to recognize a profit of HK$1,990,000 (before expenses). The estimated net proceeds from the Disposal of approximately HK$17,200,000 are intended to be used for working capital purpose of the Group.

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 30/09/2010, the Group had bank credit facilities amounting to approximately HK$76,837,000 (31/03/2010: HK$73,293,000), of which approximately HK$69,837,000 (31/03/2010: HK$67,793,000) were utilised. These facilities, other than HK$2,000,000 (31/03/2010: HK$3,500,000) which was unsecured, were secured by legal mortgages over the Group's properties and deposits.

At 30/09/2010, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/09/2010 amounted to approximately HK$288 million (31/03/2010: approximately HK$296 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 30/09/2010 is 24% (31/03/2010: 23%).

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 2010, with deviations from code provision A.4.1 of the Code in respect of the service term 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 78 and 79 of the Company's Articles of Association. 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 2010.

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 standards set out in the Model Code throughout the six months ended 30 September 2010.

By Order of the Board
Far East Hotels And Entertainment Limited
Derek Chiu
Managing Director & Chief Executive

Hong Kong, 26 November 2010

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.