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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

Final Results For The Year Ended 31 March 2011

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 2011 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2011

	Notes	2011 HK\$	2010 HK\$
Revenue		30,955,911	26,938,036
Cost of sales		<u>(32,327,871)</u>	<u>(30,262,380)</u>
Gross loss		(1,371,960)	(3,324,344)
Other gains and losses		1,814,632	5,019,769
Increase in fair value of investment properties		20,885,416	25,804,748
Administrative expenses		(15,882,972)	(16,122,951)
Finance costs	3	(1,440,157)	(1,632,787)
Share of results of associates		609,767	838,587
Share of result of a jointly controlled entity		<u>1,265,150</u>	<u>(64,492)</u>
Profit before taxation		5,879,876	10,518,530
Taxation	4	<u>(499,194)</u>	<u>(1,806,692)</u>
Profit for the year attributable to owners of the Company		5,380,682	8,711,838
Other comprehensive income (expense) for the year			
Exchange differences arising on translation of foreign operations		<u>645,283</u>	<u>(110,446)</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>6,025,965</u></u>	<u><u>8,601,392</u></u>
EARNINGS PER SHARE	5	Cents	Cents
Basic		<u>1.10</u>	<u>1.78</u>
Diluted		<u>1.10</u>	<u>1.78</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>As at 31st March 2011</i>		31st March, 2011 HK\$	31st March, 2010 HK\$ (restated)	1st April, 2009 HK\$ (restated)
	Notes			
Non-current assets				
Property, plant and equipment		90,897,768	95,795,688	102,658,087
Investment properties		66,479,120	99,881,420	104,022,140
Interests in associates		1,174,741	1,764,974	1,926,387
Interest in a jointly controlled entity		1,830,336	565,186	-
Loan to a jointly controlled entity		8,706,948	8,432,315	-
Available-for-sale investments		159,188,314	159,188,314	159,188,314
Paintings		4,220,000	4,220,000	3,800,000
		332,497,227	369,847,897	371,594,928
Curent assets				
Held-for-trading investments		16,849,965	13,956,410	10,195,070
Inventories		503,829	507,469	414,450
Trade and other receivables	7	1,021,965	305,493	3,407,945
Deposits and prepayment		1,481,896	1,990,008	2,506,804
Deposits for acquisition of properties		-	-	4,844,170
Amount due from an associate		813,562	203,562	203,562
Amount due from a related company		-	-	420,716
Pledged bank deposits		2,118,000	2,135,306	2,132,323
Bank balances and cash		8,865,596	4,145,215	2,040,796
		31,654,813	23,243,463	26,165,836
Investment property held for sale		20,500,000	-	-
		52,154,813	23,243,463	26,165,836
Current liabilities				
Trade and other payables	8	8,030,609	9,635,241	7,305,296
Receipt in advance		4,252,190	1,710,991	1,454,053
Rental deposits received		2,722,110	1,754,715	1,699,861
Amounts due to directors		-	-	370,000
Amounts due to associates		823,381	1,200,381	385,381
Amounts due to related companies		592,156	434,516	315,192
Amount due to a non-controlling shareholder		3,977,205	4,039,599	3,344,671
Provision for onerous contracts		-	-	3,706,000
Bank borrowings - due within one year		12,075,795	9,443,212	11,560,210
Financial liabilities at fair value through profit or loss		-	-	540,425
		32,473,446	28,218,655	30,681,089
Deposit received for investment property held for sale		800,000	-	-
		33,273,446	28,218,655	30,681,089
Net current assets (liabilities)		18,881,367	(4,975,192)	(4,515,253)
		351,378,594	364,872,705	367,079,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31st March 2011*

		31st March, 2011 HK\$	31st March, 2010 HK\$ (restated)	1st April, 2009 HK\$ (restated)
	Notes			
Capital and reserves				
Share capital	9	48,884,268	48,884,268	48,884,268
Reserves		253,411,365	247,385,400	237,350,345
		302,295,633	296,269,668	286,234,613
Non-current liabilities				
Deferred taxation		8,696,948	8,197,754	6,391,062
Provision for long service payments		2,055,013	2,055,013	2,055,013
Bank borrowings - due after one year		38,331,000	58,350,270	72,398,987
		49,082,961	68,603,037	80,845,062
		351,378,594	364,872,705	367,079,675

Notes

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (revised in 2008)	Business Combinations
HKAS 27 (revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as disclosed below, the adoption of the new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 17

As part of the improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. As a result of the reclassification of prepaid lease payments with previous carrying amounts of HK\$1,029,464 and HK\$1,001,448 as at 1st April 2009 and 31st March 2010 respectively to property, plant and equipment, the carrying amounts of property, plant and equipment are increased by the same amount from HK\$101,628,623 and HK\$94,794,240 to HK\$102,658,087 and HK\$95,795,688 as at 1st April, 2009 and 31st March, 2010 respectively. The carrying amount of HK\$973,432 of such leasehold land at 31st March, 2011 that qualifies for finance lease classification has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5

Hong Kong Interpretation 5 "Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

The Group did not, as at the end of the current and previous reporting periods, have any non-current bank loans that will be demanded for immediate repayment and therefore reclassification of non-current bank loans to current liabilities is not required. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 9

HKFRS 9 "Financial Instruments" which was issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of HKFRS 9 may have an impact on measurement and classification of the Group's available-for-sale investments, which will be measured at fair value. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

Amendment to HKAS 12

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. Had the amendments been adopted for the year ended 31st March, 2011 with the presumption to recover through sale, the deferred tax liabilities in respect of the revaluation on investment properties would have been eliminated. The profit for the current year and prior year would have been increased. In addition, the Group's share of result of and the interest in the jointly controlled entity will also be increased due to the elimination of deferred tax impact in respect of revaluation on the investment property of the jointly controlled entity.

Except as disclosed above, the directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements to the Group.

2. Segment information

The Group's operating and reportable segments are as follows:

1. Hotel operation in Hong Kong
2. Hotel operation and property letting in the People's Republic of China, excluding Hong Kong ("PRC")
3. Property investment in Hong Kong
4. Securities investment and trading

The following is an analysis of the Group's revenue and profit (loss) by operating segments:

	Hotel operation in Hong Kong HK\$	Hotel operation and property letting in PRC HK\$	Property investment in Hong Kong HK\$	Securities investment and trading HK\$	Total HK\$
<u>2011</u>					
Revenue	<u>17,064,613</u>	<u>13,891,298</u>	<u>-</u>	<u>-</u>	<u>30,955,911</u>
Segment profit (loss)	<u>1,856,330</u>	<u>(2,492,990)</u>	<u>21,374,691</u>	<u>985,030</u>	<u>21,723,061</u>
Unallocated gains and losses					<u>4,499</u>
Unallocated expenses					<u>(15,433,613)</u>
Unallocated finance costs					<u>(1,023,838)</u>
Share of results of associates					<u>609,767</u>
Profit before taxation					<u>5,879,876</u>
Taxation					<u>(499,194)</u>
Profit for the year					<u>5,380,682</u>

2010

Revenue	<u>15,882,688</u>	<u>10,741,671</u>	<u>313,677</u>	<u>-</u>	<u>26,938,036</u>
Segment profit (loss)	<u>648,258</u>	<u>(4,046,439)</u>	<u>25,168,302</u>	<u>4,654,532</u>	<u>26,424,653</u>
Unallocated gains and losses					<u>302,083</u>
Unallocated expenses					<u>(16,122,951)</u>
Unallocated finance costs					<u>(923,842)</u>
Share of results of associates					<u>838,587</u>
Profit before taxation					<u>10,518,530</u>
Taxation					<u>(1,806,692)</u>
Profit for the year					<u>8,711,838</u>

Geographical information

	Revenue from external customers	
	2011 HK\$	2010 HK\$
Hong Kong	<u>17,064,613</u>	16,196,365
PRC	<u>13,891,298</u>	10,741,671
	<u>30,955,911</u>	<u>26,938,036</u>

3. Finance costs

	2011 HK\$	2010 HK\$
Interests on bank borrowings:		
Wholly repayable within five years	784,951	140,612
Not wholly repayable within five years	655,206	1,492,175
	<u>1,440,157</u>	<u>1,632,787</u>

4. Taxation

Tax charge for both years represents deferred tax.

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or has tax losses to offset the assessable profits.

No provision for PRC Enterprise income tax is required as the subsidiary operating in the PRC did not have any assessable profits for both years.

5. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the year of HK\$5,380,682 (2010: HK\$8,711,838) and the number of shares as calculated below.

	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	488,842,675	488,842,675
Effect of dilutive potential ordinary shares from share options	1,357	7,926
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>488,844,032</u>	<u>488,850,601</u>

6. Profit before taxation

	2011 HK\$	2010 HK\$ (restated)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	8,482,321	8,382,258
Auditor's remuneration	978,953	903,000
Directors' remuneration & other staff costs		
Salaries, bonus and allowances	11,766,922	12,019,337
Retirement benefits cost	884,809	754,691
Share-based payment expenses	-	1,433,663
	12,651,731	14,207,691
Operating lease rentals in respect of rental premises	5,920,259	5,813,912
Share of taxation of associates (included in share of results of associates)	121,545	166,260
Share of taxation of a jointly controlled entity (included in share of result of a jointly controlled entity)	305,216	-
Cost of inventories recognised as an expense	3,894,564	3,884,626
and crediting:		
Net rental income from properties	<u>3,625,181</u>	<u>1,481,722</u>

7. Trade and other receivables

The Group allows an average credit period of not more than 30 days to travel agents and corporate customers.

The following is an aged analysis of trade debtors based on invoice date:

	THE GROUP 2011 HK\$	2010 HK\$
0 - 30 days	87,512	129,927
31 - 60 days	8,408	2,137
Over 60 days	21,317	19,025
	<u>117,237</u>	<u>151,089</u>

8. Trade and other payables

The following is an aged analysis of trade creditors based on invoice date:

	THE GROUP 2011 HK\$	2010 HK\$
0 - 30 days	442,736	533,148
31 - 60 days	551,488	685,786
Over 60 days	3,552,012	3,564,693
	<u>4,546,236</u>	<u>4,783,627</u>

9. Share capital

	2011 HK\$	2010 HK\$
Authorised:		
750,000,000 ordinary shares of HK\$0.10 each	<u>75,000,000</u>	<u>75,000,000</u>
Issued and fully paid:		
488,842,675 ordinary shares of HK\$0.10 each	<u>48,884,268</u>	<u>48,884,268</u>

DIVIDENDS

The Board does not recommend the payment of any dividend for the year.

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has increased by 7% compared with the last corresponding year. The room revenue has increased by 19% and the food and beverage revenue has remained stable. This increase was mainly due to the continued growth of tourist from mainland China and various festival promotions such as Easter promotion in 2010. Our Sales team will continue to explore and develop the China market as well as existing local and foreign markets.

The turnover of Beijing Warwick Suite Hotel has increased by 29% compared with last corresponding year. This increase was mainly due to leasing out of several floors to a local China company in November 2010.

Further, at the end of the reporting period, there was an increase of approximately HK\$20,890,000 in fair value of investment properties.

In securities investment and trading, the Group has recorded a profit of approximately HK\$1,000,000.

During the year, the Group disposed of two of its investment properties with completion dates on 1 December 2010 and 26 April 2011 respectively. The net proceeds of approximately HK\$31,400,000 from the disposals are intended to be used for working capital purpose of the Group.

In early September 2010, Mr. Duncan Chiu (a non-executive director of the Company) was 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). Based on the information so far available to the Board, Mr. Duncan Chiu is now still on bail. The Board believes that the above matter will not have any impact on the Company.

The Group will from time to time seek for investment opportunity that can provide investment potential and broaden the income base 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 31 March 2011, there were outstanding bank loans of HK\$50,406,795 (2010: HK\$67,793,482) and unutilised overdraft facilities of HK\$4,000,000 (2010: HK\$4,000,000) available to the Group.

At 31 March 2011, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2011 amounted to approximately HK\$302 million (2010: approximately HK\$296 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 31 March 2011 is 17% (2010: 23%).

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

During the year ended 31 March 2011, 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 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 31 March 2011.

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 2011, 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 has reviewed with management 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 2011 approved by the Board.

REMUNERATION COMMITTEE

The Company has 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.

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

Hong Kong, 24 June 2011

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.