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 2011

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 2011 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Revenue		**19,113,645**	14,947,443
Cost of sales		**(15,144,208)**	(14,233,713)
Gross profit		**3,969,437**	713,730
Other gains and losses	5	**(5,942,290)**	714,558
Administrative expenses		**(8,156,441)**	(8,004,239)
Finance costs	6	**(545,684)**	(769,472)
Share of results of associates		**251,581**	155,639
Loss before taxation		**(10,423,397)**	(7,189,784)
Taxation	7	**-**	-
Loss for the period attributable to owners of the Company		**(10,423,397)**	(7,189,784)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Other comprehensive income (expenses) for the period			
Exchange differences arising on translation of foreign operations		**421,418**	(970,716)
Total comprehensive expenses for the period attributable to owners of the Company		**(10,001,979)**	(8,160,500)
		Cents	Cents
Loss per share - Basic	8	**(2.13)**	(1.47)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	**30/09/2011 (unaudited) HK$**	31/03/2011 (audited) HK$
Non-current assets			
Property, plant and equipment		**89,421,488**	90,897,768
Investment properties		**66,479,120**	66,479,120
Interests in associates		**1,426,322**	1,174,741
Interest in a jointly controlled entity		**1,830,336**	1,830,336
Loan to a jointly controlled entity	9	**8,707,226**	8,706,948
Available-for-sale investments		**159,188,314**	159,188,314
Paintings		**4,220,000**	4,220,000
		331,272,806	332,497,227
Current assets			
Held-for-trading investments		**20,680,677**	16,849,965
Inventories		**573,794**	503,829
Trade and other receivables	10	**357,221**	1,021,965
Deposits and prepayment		**1,078,386**	1,481,896
Amount due from an associate		**213,562**	813,562
Pledged bank deposits		**2,118,000**	2,118,000
Bank balances and cash		**12,187,332**	8,865,596
		37,208,972	31,654,813
Investment property held for sale		**-**	20,500,000
		37,208,972	52,154,813
Current liabilities			
Trade and other payables	11	**7,234,328**	8,030,609
Receipt in advance		**4,403,388**	4,252,190
Rental deposits received		**3,214,949**	2,722,110
Amounts due to directors		**228,634**	-
Amounts due to associates		**1,342,381**	823,381
Amounts due to related companies		**586,301**	592,156
Amount due to a non-controlling shareholder		**2,759,382**	3,977,205
Bank borrowings - due within one year	12	**4,908,000**	12,075,795
		24,677,363	32,473,446
Deposit received for investment property held for sale		**-**	800,000
		24,677,363	33,273,446
Net current assets		**12,531,609**	18,881,367
		343,804,415	351,378,594

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2011

	Notes	**30/09/2011 (unaudited) HK$**	31/03/2011 (audited) HK$
CAPITAL AND RESERVES			
Share capital	13	**48,884,268**	48,884,268
Reserves		**244,041,186**	253,411,365
		292,925,454	302,295,633
NON-CURRENT LIABILITIES			
Deferred taxation		**8,696,948**	8,696,948
Provision for long service payments		**2,055,013**	2,055,013
Bank borrowings - due after one year	12	**40,127,000**	38,331,000
		50,878,961	49,082,961
		343,804,415	351,378,594

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 2011 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 2011.

In addition, in the current period, the Group has applied, for the first time, a number of new and revised Standards, Amendments and Interpretations (collectively the "new and revised HKFRSs") issued by the HKICPA. 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, except HKFRS 9 "Financial Instruments".

HKFRS 9 which was issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (as revised in November 2010) adds requirements for financial liabilities and for derecognition. HKFRS 9 is effective for annual periods beginning on or after 1st 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.

3. 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

Segment revenues and results

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$
		Six months ended 30 September (unaudited)			
2011					
Revenue	**10,590,584**	**8,523,061**	**-**	**-**	**19,113,645**
Segment profit (loss)	**2,269,052**	**1,740,988**	**(166,229)**	**(5,863,584)**	**(2,019,773)**
Unallocated gains and losses					**(78,706)**
Unallocated expenses					**(8,156,441)**
Unallocated finance costs					**(420,058)**
Share of results of associates					**251,581**
Loss before taxation					**(10,423,397)**
Taxation					**-**
Loss for the period					**(10,423,397)**
2010					
Revenue	9,039,708	5,907,735	-	-	14,947,443
Segment profit (loss)	1,270,213	(421,942)	(496,337)	200,732	552,666
Unallocated gains and losses					513,826
Unallocated expenses					(8,004,239)
Unallocated finance costs					(407,676)
Share of results of associates					155,639
Loss before taxation					(7,189,784)
Taxation					-
Loss for the period					(7,189,784)

Geographical information

	Revenue from external customers	
	2011 (unaudited) HK$	2010 (unaudited) HK$
Hong Kong	**10,590,584**	9,039,708
PRC	**8,523,061**	5,907,735
	19,113,645	14,947,443

4. Loss before taxation

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK$	HK$
Loss before taxation has been arrived at after charging:		
Depreciation	**3,693,236**	3,561,101
Auditor's remuneration	**498,366**	346,453
Directors' remuneration & other staff costs		
Salaries, bonus and allowances	**6,362,295**	6,652,890
Retirement benefits cost	**430,842**	414,681
Share-based payment expenses	**631,800**	-
	7,424,937	7,067,571
Operating lease rentals in respect of rental premises	**3,042,379**	2,898,919
Share of taxation of associates (included in share of results of associates)	**49,692**	30,750
Cost of inventories recognised as an expense	**2,122,381**	1,994,910
and after crediting:		
Net rental income from properties	**4,056,321**	194,622

5. Other gains and losses

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK$	HK$
Dividend income from listed securities	**637,647**	280,555
Decrease in fair value of held-for-trading investments	**(6,501,230)**	(79,823)
Loss on disposal of property, plant & equipment	**(89,728)**	-
Bank interest income	**11,010**	2,250
Other interest income	**11**	17
Exchange gain	**-**	511,559
	(5,942,290)	714,558

6. Finance costs

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank borrowings:		
Wholly repayable within 5 years	**221,707**	147,534
Not wholly repayable within 5 years	**323,977**	621,938
	545,684	769,472

7. Taxation

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 in both periods.

No provision for PRC Enterprise income tax is required as the subsidiary operating in the PRC has tax losses to offset the assessable profits. In last corresponding period, it incurred a loss and no provision is required.

8. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period of HK$10,423,397 (2010: loss of HK$7,189,784) and 488,842,675 (2010: 488,842,675) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted loss per share for the six months ended 30 September 2011 was presented as there were no potential ordinary shares outstanding during the period.

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.

9. 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.

10. Trade and other receivables

Included in trade and other receivables are trade debtors net of allowance of HK$233,150 (31/03/2011: HK$117,237)

Trade debtors mainly comprise of receivable from renting of properties and hotel operation. Rentals are payable on presentation of demand notes. No credit is allowed to these customers. Hotel room revenue is normally settled by cash or credit card. 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 the invoice date:

	30/09/2011 (unaudited) HK$	31/03/2011 (audited) HK$
0 - 30 days	**147,567**	87,512
31 - 60 days	**43,440**	8,408
Over 60 days	**42,143**	21,317
	233,150	117,237

11. Trade and other payables

Included in trade and other payables are trade creditors of HK$3,737,425 (31/03/2011: HK$4,546,236).

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

	30/09/2011 (unaudited) HK$	31/03/2011 (audited) HK$
0 - 30 days	**423,010**	442,736
31 - 60 days	**356,794**	551,488
Over 60 days	**2,957,621**	3,552,012
	3,737,425	4,546,236

The average credit period on purchase of goods is 60 days.

12. Bank borrowings

	30/09/2011 (unaudited) HK$	31/03/2011 (audited) HK$
Bank borrowings comprise:		
Secured	**45,035,000**	48,406,795
Unsecured	**-**	2,000,000
	45,035,000	50,406,795
The above borrowings are repayable as follows:		
Within one year	**4,908,000**	12,075,795
More than one year, but not exceeding two years	**3,908,000**	3,408,000
More than two years, but not exceeding three years	**3,908,000**	2,908,000
More than three years, but not exceeding five years	**23,646,000**	21,896,000
More than five years	**8,665,000**	10,119,000
	45,035,000	50,406,795
Less: Amount due within one year shown under current liabilities	**(4,908,000)**	(12,075,795)
Amount due after one year	**40,127,000**	38,331,000

13. Share capital

Ordinary shares of HK$0.10 each	**Number of shares**	**Share capital HK$**
Authorised:		
At 1 April 2011 and 30 September 2011	750,000,000	75,000,000
Issued and fully paid:		
At 1 April 2011 and 30 September 2011	488,842,675	48,884,268

14. Operating lease

Operating lease arrangements

The Group as lessee:

At 30/09/2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30/09/2011 (unaudited) HK$	31/03/2011 (audited) HK$
Within one year	**5,150,846**	4,986,347
In the second to fifth year inclusive	**20,603,385**	19,945,388
Over five years	**41,206,770**	42,383,949
	66,961,001	67,315,684

The Group as lessor:

	30/09/2011 (unaudited) HK$	31/03/2011 (audited) HK$
Within one year	**2,336,073**	4,652,157

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2011.

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has increased by 17% compared with last corresponding period. The Room and Food & Beverages revenue has been increased by 21% and 12% respectively. Both rooms and restaurant facilities have been partially renovated in order to improve the image of the hotel as well as to increase the business. For the Rooms division, the Sales and Marketing Team will continue focusing on the growth of China market in the coming year. Besides doing advertisings in Hong Kong like in the past, the hotel will also do advertisings at China in order to attract more business from this rapid growing market. For the Food & Beverages division, new and tailor-made menus cater for different kinds of clients will be introduced in the coming year.

The turnover of Beijing Warwick Suite Hotel has increased by 44% compared with last corresponding period. This increment brought to this sector a profit of approximately HK1,741,000 as compared to a loss of approximately HK$422,000 with last corresponding period.

In securities investment and trading, the Group has recorded a loss of approximately HK$5,860,000.

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 September 2011, there were outstanding bank loans of HK$45,035,000 (31/03/2011: HK$50,406,795) and unutilised overdraft facilities of HK$4,000,000 (31/03/2011: HK$4,000,000) available to the Group.

At 30 September 2011, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2011 amounted to approximately HK$293 million (31/03/2011: approximately HK$302 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2011 is 15% (31/03/2011: 17%).

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 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 of the Company comprises three independent non-executive directors, namely, Mr. Ng Wing Hang Patrick, Mr. Ip Shing Hing, 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 2011.

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 2011.

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

Hong Kong, 25 November 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. 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.