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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 2012

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 2012 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
		(unaudited)	(unaudited)
			(restated)
	Notes	**HK$**	HK$
Revenue		**17,038,298**	19,113,645
Cost of sales		**(14,819,503)**	(15,144,208)
Gross profit		**2,218,795**	3,969,437
Other gains and losses	5	**(306,967)**	(5,942,290)
Administrative expenses		**(7,182,984)**	(8,156,441)
Finance costs	6	**(476,364)**	(545,684)
Share of results of associates		**174,946**	251,581
Share of results of a jointly controlled entity		**(3,780)**	-
Loss before taxation		**(5,576,354)**	(10,423,397)
Taxation	7	**-**	-
Loss for the period attributable to owners of the Company		**(5,576,354)**	(10,423,397)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
		(unaudited)	(unaudited)
			(restated)
	Notes	**HK$**	HK$
Other comprehensive income (expenses) for the period			
Exchange differences arising on translation of foreign operations		**(131,926)**	421,418
Total comprehensive expenses for the period attributable to owners of the Company		**(5,708,280)**	(10,001,979)
		HK Cents	HK Cents
Loss per share - Basic	8	**(1.14)**	(2.13)
Loss per share - Diluted		**(1.14)**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	**30/09/2012 (unaudited) HK$**	31/03/2012 (audited) (restated) HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**86,014,798**	86,892,238
Investment properties		**87,199,900**	87,199,900
Interests in associates		**297,859**	122,913
Interest in a jointly controlled entity		**6,056,434**	6,060,214
Loan to a jointly controlled entity	9	**8,178,565**	8,177,288
Available-for-sale investments		**159,188,314**	159,188,314
Paintings		**3,921,217**	3,921,217
		350,857,087	351,562,084
CURRENT ASSETS			
Held-for-trading investments		**22,090,419**	23,514,495
Inventories		**575,206**	583,897
Trade and other receivables	10	**798,866**	595,448
Deposits and prepayment		**1,456,419**	1,288,022
Pledged bank deposits		**2,118,000**	2,118,000
Bank balances and cash		**4,811,593**	6,884,367
		31,850,503	34,984,229
CURRENT LIABILITIES			
Trade and other payables	11	**9,248,320**	7,113,532
Receipt in advance		**1,614,578**	1,338,764
Rental deposits received		**824,783**	2,361,278
Amounts due to directors		**221,041**	-
Amounts due to associates		**176,381**	61,381
Amounts due to related companies		**749,720**	673,985
Amount due to a non-controlling shareholder		**6,541,942**	4,009,376
Bank borrowings - due within one year	12	**3,908,000**	4,408,000
		23,284,765	19,966,316
NET CURRENT ASSETS		**8,565,738**	15,017,913
		359,422,825	366,579,997

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2012

	Notes	**30/09/2012 (unaudited) HK$**	31/03/2012 (audited) (restated) HK$
CAPITAL AND RESERVES			
Share capital	13	**48,884,268**	48,884,268
Reserves		**272,258,354**	277,523,978
		321,142,622	326,408,246
NON-CURRENT LIABILITIES			
Deferred taxation		**7,802**	7,802
Provision for long service payments		**2,053,401**	1,990,949
Bank borrowings - due after one year	12	**36,219,000**	38,173,000
		38,280,203	40,171,751
		359,422,825	366,579,997

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 2012 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 31 March 2012, except for those due to the application of the 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, except the amendments to HKAS12 "Deferred tax – Recovery of Underlying Assets".

The Group has applied the amendments to HKAS 12 "Deferred Tax – Recovery of Underlying Assets". Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted. As a result, investment properties of the Group that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred taxes in respect of such properties. The application of the amendments has resulted in the Group's deferred tax liabilities being decreased by HK$8,699,946 and HK$12,108,900 and the Group's interest in a jointly controlled entity being increased by HK$305,216 and HK$866,216, due to elimination of deferred tax on the revaluation increase on the investment property held by the jointly controlled entity, as at 1 April 2011 and 31 March 2012 respectively, with the corresponding adjustment being recognised in retained profits. Certain comparative figures for prior accounting period have been restated to conform with the current year's presentation.

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 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 detailed 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 2012 (unaudited)					
Revenue	**11,665,466**	**5,372,832**	**-**	**-**	**17,038,298**
Segment profit (loss)	**3,032,723**	**(903,850)**	**86,142**	**(299,692)**	**1,915,323**
Unallocated gains and losses					**(7,275)**
Unallocated expenses					**(7,182,984)**
Unallocated finance costs					**(476,364)**
Share of results of associates					**174,946**
Loss before taxation					**(5,576,354)**
Taxation					**-**
Loss for the period					**(5,576,354)**
Six months ended 30 September 2011 (unaudited)					
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)

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September **2012 (unaudited) HK$**	2011 (unaudited) HK$
Hong Kong	**11,665,466**	10,590,584
PRC	**5,372,832**	8,523,061
	17,038,298	19,113,645

4. Loss before taxation

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$	HK$
Loss before taxation has been arrived at after charging:		
Depreciation	**3,711,629**	3,693,236
Auditor's remuneration	**773,366**	498,366
Directors' remuneration & other staff costs		
Salaries, bonus and allowances	**6,950,206**	6,362,295
Retirement benefits cost	**709,946**	430,842
Share-based payment expenses	**442,656**	631,800
	8,102,808	7,424,937
Operating lease rentals in respect of rental premises	**3,501,777**	3,042,379
Share of taxation of associates (included in share of results of associates)	**20,175**	49,692
Cost of inventories recognised as an expense	**2,138,711**	2,122,381
and after crediting:		
Net rental income from properties	**1,543,911**	4,056,321

5. Other gains and losses

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$	HK$
Dividend income from listed securities	**462,418**	637,647
Decrease in fair value of held-for-trading investments	**(762,110)**	(6,501,230)
Loss on disposal of property, plant & equipment	**(10,043)**	(89,728)
Bank interest income	**2,735**	11,010
Other interest income	**33**	11
	(306,967)	(5,942,290)

6. Finance costs

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank borrowings:		
Wholly repayable within 5 years	**191,386**	221,707
Not wholly repayable within 5 years	**284,978**	323,977
	476,364	545,684

7. Taxation

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or have 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

The calculation of basic and diluted loss per share is based on the loss for the period of HK$5,576,354 (2011: loss of HK$10,423,397) and the number of shares as calculated below:

	2012	2011
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	**488,842,675**	488,842,675
Effect of dilutive potential ordinary shares from share options	**105,088**	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	**488,947,763**	488,842,675

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.

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 of HK$798,866 (31/03/2012: HK$595,448), net of allowance for doubtful debts.

Trade debtors mainly comprise receivables from renting of properties and hotel operation. No credit is allowed to tenants for the use of the Group's properties. Rentals are payable on presentation of demand notes. 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 the trade debtors based on the invoice date:

	30/09/2012 (unaudited) HK$	31/03/2012 (audited) HK$
0 - 30 days	**475,099**	448,969
31 - 60 days	**120,893**	102,849
Over 60 days	**202,874**	43,630
	798,866	595,448

11. Trade and other payables

Included in trade and other payables are trade creditors of HK$1,568,083 (31/03/2012: HK$1,603,462).

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

	30/09/2012 (unaudited) HK$	31/03/2012 (audited) HK$
0 - 30 days	**540,315**	609,506
31 - 60 days	**342,371**	410,836
Over 60 days	**685,397**	583,120
	1,568,083	1,603,462

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

12. Bank borrowings

	30/09/2012 (unaudited) HK$	31/03/2012 (audited) HK$
Bank borrowings are secured and repayable as follows:		
Within one year	**3,908,000**	4,408,000
More than one year, but not exceeding five years	**30,462,000**	30,962,000
More than five years	**5,757,000**	7,211,000
	40,127,000	42,581,000
Less: Amount due within one year shown under current liabilities	**(3,908,000)**	(4,408,000)
Amount due after one year	**36,219,000**	38,173,000

13. Share capital

	30/9/2012 (unaudited) HK$	31/3/2012 (audited) HK$
Authorised:		
750,000,000 ordinary shares of HK$0.10 each	**75,000,000**	75,000,000
Issued and fully paid:		
488,842,675 ordinary shares of HK$0.10 each	**48,884,268**	48,884,268

14. Operating lease

The Group as lessee:

At 30 September 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30/09/2012 (unaudited) HK$	31/03/2012 (audited) HK$
Within one year	**6,071,730**	6,117,347
In the second to fifth year inclusive	**20,716,533**	21,367,002
Over five years	**35,950,110**	38,860,104
	62,738,373	66,344,453

A subsidiary entered into an agreement with its non-controlling shareholder for the lease of its properties for a period of twenty-eight years at a fixed rent of RMB4,200,000 per year. The lease will expire on 30 September, 2024. The remaining lease is negotiated for a term of two years with fixed rental over the lease term.

The Group as lessor:

At 30 September 2012, the Group had contracted with tenants for the following future minimum lease payments:

	30/09/2012 (unaudited) HK$	31/03/2012 (audited) HK$
Within one year	**5,258,009**	2,026,791

The properties have committed tenants for a term of one to five years (2011: one to five years).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2012.

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has increased by 10% compared with the last corresponding period. During the period concerned, the hotel succeeded in upselling its rooms and achieved higher average room rates. The revenues of room and food and beverage have increased by 14% and 4% respectively. The hotel will keep on gaining more publicity and expanding its market share through media channels or social media platform. Besides concentrating on service standard and food quality, the food and beverage department will strengthen food promotions and advertising to capture attention of the visitors from Hong Kong and overseas travellers as well as Cheung Chau locals. The management is considering the possibility of providing more products and services in order to create more income stream for the coming year.

The turnover of Beijing Warwick Suite Hotel has decreased by 37% compared with the last corresponding period. The decrease is mainly due to the closure of approximately one-fifth of the gross floor area of the suite hotel for renovation. The renovation is progressing on schedule. It is expected to be completed and available for leasing by the end of this year. The sales and marketing team of the suite hotel will continue to put strong effort into office premises leasing to cope with the increasing market demand for office premises in Beijing.

In securities investment and trading, the Group has recorded a loss of approximately HK$300,000.

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 80 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 2012, there were outstanding bank loans of HK$40,127,000 (31/03/2012: HK$42,581,000) and unutilised overdraft facilities of HK$6,000,000 (31/03/2012: HK$6,000,000) available to the Group.

At 30 September 2012, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2012 amounted to approximately HK$321 million (31/03/2012: approximately HK$326 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2012 is 12% (31/03/2012: 13%).

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 the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2012, except 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 was 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 retirement by rotation at annual general meetings 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.

Mr. Tang Sung Ki resigned as the company secretary of the Company on 30 July 2012. Ms. Lim Yi Ping has been appointed as the company secretary of the Company with effect from 29 November 2012.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Ip Shing Hing and Mr. Choy Wai Shek Raymond.

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 2012.

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 three independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Ip Shing Hing, Mr. Choy Wai Shek Raymond and the Managing Director of the Company, Mr. Derek Chiu.

The remuneration committee is principally responsible for formulation of 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 2012.

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

Hong Kong, 29 November 2012

As at the date of this announcement, the executive directors are Mr. Deacon Te Ken Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Ms. Margaret Chiu; the non-executive directors are Mrs. Chiu Ju Ching Lan and Mr. Dick Tat Sang Chiu; the independent non-executive directors are Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond.