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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 2013**

## 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 2013 together with the relevant comparative figures are set out as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2013*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) |
| | Notes | **HK$** | HK$ |
| Revenue | | **16,844,913** | 17,038,298 |
| Cost of sales | | **(15,445,961)** | (14,819,503) |
| Gross profit | | **1,398,952** | 2,218,795 |
| Other gains and losses | 5 | **3,904,538** | (306,967) |
| Administrative expenses | | **(7,971,507)** | (7,182,984) |
| Finance costs | 6 | **(482,226)** | (476,364) |
| Impairment loss on investment properties | 7 | **(5,100,000)** | - |
| Share of results of associates | | **194,433** | 174,946 |
| Share of results of a jointly controlled entity | | **(2,778)** | (3,780) |
| Loss before taxation | | **(8,058,588)** | (5,576,354) |
| Taxation | 8 | **-** | - |
| Loss for the period attributable to owners of the Company | | **(8,058,588)** | (5,576,354) |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**

*For the six months ended 30 September 2013*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) |
| | Notes | **HK$** | HK$ |
| Other comprehensive income (expenses) for the period | | | |
| Exchange differences arising on translation of foreign operations | | **126,644** | (131,926) |
| Total comprehensive expenses for the period attributable to owners of the Company | | **(7,931,944)** | (5,708,280) |
| | | **HK Cents** | HK Cents |
| Loss per share - Basic | 9 | **(1.65)** | (1.14) |
| Loss per share - Diluted | | **(1.65)** | (1.14) |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 September 2013*

| | Notes | **30/09/2013 (unaudited) HK$** | 31/03/2013 (audited) HK$ |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **81,397,506** | 84,511,539 |
| Investment properties | 7 | **100,565,660** | 105,665,660 |
| Interests in associates | | **821,275** | 626,842 |
| Interest in a jointly controlled entity | | **10,301,157** | 10,303,935 |
| Loan to a jointly controlled entity | 10 | **8,444,586** | 8,444,308 |
| Available-for-sale investments | | **159,188,314** | 159,188,314 |
| Paintings | | **3,921,217** | 3,921,217 |
| | | **364,639,715** | 372,661,815 |
| **CURRENT ASSETS** | | | |
| Held-for-trading investments | | **25,444,287** | 22,686,315 |
| Inventories | | **570,721** | 575,892 |
| Trade and other receivables | 11 | **980,156** | 706,173 |
| Deposits and prepayment | | **823,834** | 790,997 |
| Pledged bank deposits | | **2,118,000** | 2,118,000 |
| Bank balances and cash | | **5,637,823** | 11,547,991 |
| | | **35,574,821** | 38,425,368 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **9,751,164** | 9,461,907 |
| Receipt in advance | | **4,212,499** | 1,779,532 |
| Rental deposits received | | **2,123,437** | 2,448,351 |
| Amounts due to directors | | **219,274** | - |
| Amounts due to associates | | **443,381** | 301,381 |
| Amounts due to related companies | | **739,196** | 730,528 |
| Amount due to a non-controlling shareholder | | **8,459,707** | 8,234,274 |
| Bank borrowings - due within one year | 13 | **2,214,699** | 8,908,000 |
| Bank overdrafts | | **-** | 3,979,388 |
| | | **28,163,357** | 35,843,361 |
| **NET CURRENT ASSETS** | | **7,411,464** | 2,582,007 |
| | | **372,051,179** | 375,243,822 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

*As at 30 September 2013*

| | Notes | **30/09/2013 (unaudited)** | 31/03/2013 (audited) |
|---|---|---|---|
| | | **HK$** | HK$ |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 14 | **48,884,268** | 48,884,268 |
| Reserves | | **282,109,209** | 290,041,153 |
| | | **330,993,477** | 338,925,421 |
| **NON-CURRENT LIABILITIES** | | | |
| Provision for long service payments | | **2,053,401** | 2,053,401 |
| Bank borrowings - due after one year | 13 | **39,004,301** | 34,265,000 |
| | | **41,057,702** | 36,318,401 |
| | | **372,051,179** | 375,243,822 |

## 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") as well as 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 2013 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 2013, 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.

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 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. HKFRS 9 is effective for annual periods beginning on or after 1 April 2015, 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 2013 (unaudited)** | | | | | |
| Revenue | **12,038,299** | **4,806,614** | **-** | **-** | **16,844,913** |
| Segment profit (loss) | **3,417,517** | **(1,955,445)** | **(64,398)** | **3,900,297** | **5,297,971** |
| Unallocated gains and losses | | | | | **2,741** |
| Unallocated expenses | | | | | **(7,971,507)** |
| Unallocated finance costs | | | | | **(482,226)** |
| Impairment loss on investment properties | | | | | **(5,100,000)** |
| Share of results of associates | | | | | **194,433** |
| Loss before taxation | | | | | **(8,058,588)** |
| Taxation | | | | | **-** |
| Loss for the period | | | | | **(8,058,588)** |
| 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) |

Revenue from external customers by geographical location is analysed below:

| | Six months ended 30 September | |
|---|---|---|
| | **2013 (unaudited) HK$** | 2012 (unaudited) HK$ |
| Hong Kong | **12,038,299** | 11,665,466 |
| PRC | **4,806,614** | 5,372,832 |
| | **16,844,913** | 17,038,298 |

## 4. Loss before taxation

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **HK$** | HK$ |
| Loss before taxation has been arrived at after charging: | | |
| Depreciation | **3,807,012** | 3,711,629 |
| Auditor's remuneration | **433,451** | 773,366 |
| Directors' remuneration & other staff costs | | |
| Salaries, bonus and allowances | **5,960,101** | 6,950,206 |
| Retirement benefits cost | **408,781** | 709,946 |
| Share-based payment expenses | **-** | 442,656 |
| | **6,368,882** | 8,102,808 |
| Operating lease rentals in respect of rental premises | **3,565,821** | 3,501,777 |
| Share of taxation of associates (included in share of results of associates) | **26,425** | 20,175 |
| Cost of inventories recognised as an expense | **1,783,782** | 2,138,711 |
| and after crediting: | | |
| Net rental income from properties | **914,815** | 1,543,911 |

## 5. Other gains and losses

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **HK$** | HK$ |
| Dividend income from listed securities | **453,706** | 462,418 |
| Increase(decrease) in fair value of held-for-trading investments | **3,446,591** | (762,110) |
| Loss on disposal of property, plant & equipment | **-** | (10,043) |
| Bank interest income | **2,534** | 2,735 |
| Other interest income | **207** | 33 |
| Sundry income | **1,500** | - |
| | **3,904,538** | (306,967) |

## 6. Finance costs

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **HK$** | HK$ |
| Interest on bank borrowings: | | |
| Wholly repayable within 5 years | **237,502** | 191,386 |
| Not wholly repayable within 5 years | **244,724** | 284,978 |
| | **482,226** | 476,364 |

## 7. Impairment loss on investment properties

On 12 November 2013, the High Court of Hong Kong dismissed the claims of a subsidiary of the Group and a related company controlled by the Chiu family on possession of seven plots of agricultural land in Survey District No. 4, Tsuen Wan, New Territories. The total area of the subject plots is approximately 13,100 square feet. The preliminary valuation of the subject plots is approximately HK$5,100,000 as at 12 November 2013 prepared by Chung, Chan & Associates, an independent qualified property valuer. Accordingly, an impairment loss of HK$5,100,000 on investment properties has been provided for.

## 8. 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 for both periods.

No provision for PRC Enterprise Income Tax is required as the subsidiary operating in the PRC has no assessable profit for both periods.

## 9. Loss per share

The calculation of basic and diluted loss per share is based on the loss for the period of HK$8,058,588 (30/09/2012: loss of HK$5,576,354) and the number of shares as calculated below:

| | Six months ended 30 September | |
|---|---|---|
| | **2013** | 2012 |
| | **(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 | **791,400** | 105,088 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | **489,634,075** | 488,947,763 |

## 10. 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.

## 11. Trade and other receivables

Included in trade and other receivables are trade debtors of HK$980,156 (31/03/2013: HK$706,173), 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:

| | **30/09/2013 (unaudited) HK$** | 31/03/2013 (audited) HK$ |
|---|---|---|
| 0 - 30 days | **325,389** | 221,896 |
| 31 - 60 days | **204,222** | 126,275 |
| Over 60 days | **450,545** | 358,002 |
| | **980,156** | 706,173 |

## 12. Trade and other payables

Included in trade and other payables are trade creditors of HK$1,635,324 (31/03/2013: HK$1,772,752).

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

| | **30/09/2013 (unaudited) HK$** | 31/03/2013 (audited) HK$ |
|---|---|---|
| 0 - 30 days | **584,549** | 820,538 |
| 31 - 60 days | **385,493** | 427,975 |
| Over 60 days | **665,282** | 524,239 |
| | **1,635,324** | 1,772,752 |

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

## 13. Bank borrowings

| | **30/09/2013 (unaudited) HK$** | 31/03/2013 (audited) HK$ |
|---|---|---|
| Bank borrowings are secured and repayable as follows: | | |
| Within one year | **2,214,699** | 8,908,000 |
| More than one year, but not exceeding five years | **25,572,991** | 29,962,000 |
| More than five years | **13,431,310** | 4,303,000 |
| | **41,219,000** | 43,173,000 |
| Less: Amount due within one year shown under current liabilities | **(2,214,699)** | (8,908,000) |
| Amount due after one year | **39,004,301** | 34,265,000 |

## 14. Share capital

| | **30/9/2013 (unaudited) HK$** | 31/3/2013 (audited) HK$ |
|---|---|---|
| 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 |

## 15. Operating lease

The Group as lessee:

At 30 September 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | **30/09/2013** **(unaudited)** **HK$** | 31/03/2013 (audited) HK$ |
|---|---|---|
| Within one year | **5,437,430** | 5,842,207 |
| In the second to fifth year inclusive | **21,055,270** | 20,802,377 |
| Over five years | **31,582,905** | 33,803,863 |
| | **58,075,605** | 60,448,447 |

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 2013, the Group had contracted with tenants for the following future minimum lease payments:

| | **30/09/2013** **(unaudited)** **HK$** | 31/03/2013 (audited) HK$ |
|---|---|---|
| Within one year | **1,347,287** | 1,353,950 |

The properties have committed tenants for a term of one to three years (31/03/2013: 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 2013.

## REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of the Group has slightly decreased compared with the last corresponding period. Of which, the turnover of the Cheung Chau Warwick Hotel has increased by approximately 3.2% compared with the last corresponding period and contributed a segment profit of approximately HK$3.4 million while the turnover of Beijing Warwick, which comprises suite hotel and office premises leasing, has decreased by approximately 10.5% compared with the last corresponding period and sustained a segment loss of approximately HK$1.96 million.

The Cheung Chau Warwick Hotel has concentrated on not only the mainland China guests but also the domestic guests. It has attracted the locals by presenting seasonal and event packages to them. In the coming year, the management will make more efforts to develop new packages to attract independent travellers including domestic guests and mainland China guests through advertising with different media platforms in both areas. The management will also closely monitor the mainland China guests and adjust room sales distribution so as to maximize hotel profits.

In order to cope with the increasing demand for office premises in Beijing, the Beijing Warwick has been putting every effort on office premises leasing. The decrease in the revenue of the Beijing Warwick is mainly due to the suspension of long-stay accommodation business that will make way and provide flexibility for office premises leasing. In October 2013, the Beijing Warwick secured an office lease which will provide a steady rental income to the Group.

In securities investment and trading, the Group has recorded a profit of approximately HK$3.4 million.

The Group will from time to time seek the business opportunities that can provide investment potential and broaden the income base of the Group.

## EVENT AFTER THE REPORTING PERIOD

On 12 November 2013, the High Court of Hong Kong dismissed the claims of a subsidiary of the Group and a related company controlled by the Chiu family on possession of seven plots of agricultural land in Survey District No. 4, Tsuen Wan, New Territories. The total area of the subject plots is approximately 13,100 square feet. The preliminary valuation of the subject plots is approximately HK$5,100,000 as at 12 November 2013 prepared by Chung, Chan & Associates, an independent qualified property valuer. Accordingly, an impairment loss of HK$5,100,000 on investment properties has been provided for.

## LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2013, the Group had bank balances and cash of HK$5,637,823 (31/03/2013: HK$11,547,991) and pledged bank deposits of HK$2,118,000 (31/03/2013: HK$2,118,000)

At 30 September 2013, there were outstanding bank loans and utilised overdraft facilities of HK$41,219,000 (31/03/2013: HK$47,152,388) and unutilised overdraft facilities of HK$6,000,000 (31/03/2013: HK$2,000,000) available to the Group.

At 30 September 2013, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2013 amounted to approximately HK$331 million (31/03/2013: approximately HK$339 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2013 is 12.5% (31/03/2013: 14%).

## CONTINGENT LIABILITIES

At 30 September 2013, the Company has issued financial guarantees of HK$18,000,000 (31/03/2013: HK$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$16,080,000 (31/03/2013: HK$16,080,000) has been utilised by its subsidiaries.

## CAPITAL COMMITMENTS

At 30 September 2013, the Group did not have significant capital commitments (31/03/2013: Nil).

## 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.

## 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 all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2013, except for the following:

(a) Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

    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.

(b) Code provision E.1.2 of the Code stipulates that the chairman of the Board should attend the annual general meeting. The chairman of the Board was unable to attend the Company's annual general meeting held on 2 September 2013 due to other business engagement. However, an executive director and the managing director and chief executive of the Company present at the said meeting was elected chairman thereof to ensure an effective communication with the shareholders thereat.

Mr. Desmond Chiu resigned as an executive director, the Deputy Managing Director and an authorised representative of the Company on 3 September 2013.

Ms. Lim Yi Ping resigned as the company secretary of the Company on 23 September 2013. Mr. Kwok Siu Man was appointed as the company secretary and an authorised representative of the Company with effect from the same date.

## 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 2013.

## 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 to the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 September 2013.

By Order of the Board
**Far East Hotels and Entertainment Limited**

**Derek Chiu**
*Managing Director and Chief Executive*

Hong Kong, 25 November 2013

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