



FAR EAST HOTELS AND ENTERTAINMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0037)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

INTERIM RESULTS

The Board of Directors of Far East Hotels And Entertainment Limited (the “Company”) announces the unaudited interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		Six months ended 30 September 2006 (unaudited) HK\$	2005 (restated) HK\$
	<i>Notes</i>		
Turnover	3	78,816,826	10,820,994
Cost of sales		(86,297,331)	(15,370,323)
		(7,480,505)	(4,549,329)
Other income		818,263	490,165
Administrative expenses		(5,598,430)	(5,772,575)
Finance costs	5	(1,482,242)	(869,762)
Gain on disposal of investment property		–	39,282
Share of results of associates		(23,981,539)	11,701,968
(Loss) Profit before taxation		(37,724,453)	1,039,749
Taxation	6	–	–
(Loss) Profit for the period		(37,724,453)	1,039,749
(Loss) Earnings per share	7	<i>Cent</i>	<i>Cent</i>
– basic		(7.72)	0.21
– diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2006

		30/09/2006 (unaudited) HK\$	31/03/2006 (audited) HK\$
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		96,363,478	113,399,358
Investment properties		107,608,949	54,656,000
Prepaid lease payments		24,291,156	10,084,070
Intangible asset		3,713,500	4,656,200
Interests in associates	8	37,624,643	61,615,454
Available-for-sale investments		188,042,945	188,943,545
Deposits for acquisition of investment properties		–	10,200,000
		457,644,671	443,554,627
Current Assets			
Prepaid lease payments		609,904	251,582
Held-for-trading investments		19,263,670	9,591,610
Inventories		487,612	418,164
Trade and other receivables	9	15,515,350	8,321,421
Amounts due from associates		203,562	200,390
Amounts due from related companies		672,489	672,488
Pledged bank deposits		2,283,307	2,238,753
Bank balances and cash		6,268,020	38,852,673
		45,303,914	60,547,081
Current Liabilities			
Trade and other payables	10	6,295,857	6,901,172
Deposits received		353,000	353,000
Amounts due to associates		8,511,130	4,651,129
Amounts due to related companies		146,759	135,400
Amount due to a minority shareholder		2,274,510	1,472,440
Obligations under finance leases – due within 1 year		440,607	507,363
Secured bank borrowings – due within 1 year		4,021,538	3,465,700
		22,043,401	17,486,204
Net Current Assets		23,260,513	43,060,877
		480,905,184	486,615,504
Capital and Reserves			
Share capital	11	488,842,675	488,842,675
Reserves		(92,706,238)	(54,105,608)
		396,136,437	434,737,067
Non-current Liabilities			
Deferred taxation		7,519,423	7,519,423
Provision for long service payments		2,055,013	2,055,013
Obligations under finance leases – due after 1 year		502,437	718,973
Secured bank borrowings – due after 1 year		74,691,874	41,585,028
		84,768,747	51,878,437
		480,905,184	486,615,504

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- Basis Of Preparation**

The unaudited condensed consolidated 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 2006 annual financial statements.
- Significant Accounting Policies**

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2006 except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) which have become effective for accounting periods commencing on or after 1 January 2006. The applicable new HKFRSs adopted in this interim financial statements are set out below:

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease

The adoption of the above new HKFRSs did not have any material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosure ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – INT 10	Interim financial reporting and impairment ²

¹ Effective for accounting periods beginning on or after 1 January 2007.

² Effective for accounting periods beginning on or after 1 November 2006.

³ Effective for accounting periods beginning on or after 1 June 2006

⁴ Effective for accounting periods beginning on or after 1 May 2006.

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

3. Business And Geographical Segments

Business segments

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
	Six months ended 30 September (unaudited)				
2006					
REVENUE					
Turnover	6,574,945	3,154,352	68,450,274	637,255	78,816,826
RESULTS					
Segment results	(431,972)	(2,057,037)	(4,686,051)	(48,986)	(7,224,046)
Bank interest income					561,804
Unallocated corporate expenses					(5,598,430)
Finance costs					(1,482,242)
Share of results of associates					(23,981,539)
Loss before taxation					(37,724,453)
Taxation					–
Loss for the period					(37,724,453)
2005					
REVENUE					
Turnover	5,946,196	3,398,094	845,636	631,068	10,820,994
RESULTS					
Segment results	(93,727)	(1,997,220)	(1,943,993)	(311,632)	(4,346,572)
Bank interest income					326,690
Unallocated corporate expenses					(5,772,575)
Finance costs					(869,762)
Share of results of associates					11,701,968
Profit before taxation					1,039,749
Taxation					–
Profit for the period					1,039,749
Geographical segments					
				Sales revenue by geographical market	
				2006 (unaudited) HK\$	2005 (unaudited) HK\$
Hong Kong				75,662,474	7,431,300
Other regions in the People’s Republic of China				3,154,352	3,389,694
				78,816,826	10,820,994

4. Depreciation And Amortisation

During the period, depreciation of HK\$2,676,651 (2005: HK\$2,050,396) was charged in respect of the Group’s property, plant and equipment.

During the period, amortisation of prepaid lease payments of HK\$353,255 (2005: HK\$536,520) was charged in respect of the Group’s prepaid lease payments.

During the period, amortisation of HK\$942,700 (2005: HK\$942,700) was charged in respect of the Group’s intangible assets.

5. Finance Costs

	Six months ended 30 September 2006 (unaudited) HK\$	2005 (unaudited) HK\$
Interest on bank and other borrowings:		
Wholly repayable within 5 years	3,800	24,521
Not wholly repayable within 5 years	1,426,977	829,820
Interest on finance leases	51,465	15,421
	1,482,242	869,762

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 profit 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\$37,724,453 (2005: profit of HK\$1,039,749) and 488,842,675 (2005: 488,842,675) ordinary shares in issue during the period.

(b) Diluted (loss) earnings per share

No diluted loss per share is presented for this period as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share.

No dilutive earnings per share has been presented for last period because the exercise price of the Company’s option was higher than the average market price for shares in the last period.

8. Interests In Associates

The following financial information is extracted from the unaudited financial statements, as adjusted, of the Group’s principal associates.

	Bolan Holdings N.V. 30 June 2006 (unaudited) HK\$	Central More Limited 30 June 2006 (unaudited) HK\$
Operating results for the six months ended 30 June 2006:		
Turnover	585,913	1,218,426
Profit (Loss) before taxation	(87,555)	1,206,226
Profit (Loss) before taxation attributable to the Group	(39,400)	603,113
Share of tax attributable to the Group	–	(95,294)
Profit (Loss) after taxation attributable to the Group	(39,400)	507,819
Financial position at 30 June 2006:		
Non-current assets	171,029,126	9,552,318
Current assets	519,684	18,557,960
Current liabilities	(4,196,119)	(7,273,856)
Non-current liabilities	(113,192,064)	–
Net assets	54,160,627	20,836,422
Net assets attributable to the Group	24,372,282	10,418,211

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 receivables at the reporting date:

	30/09/2006 (unaudited) HK\$	31/03/2006 (audited) HK\$
0 – 30 days	146,499	79,157
31 –60 days	59,728	40,100
Over 60 days	67,749	296,086
Trade receivables	273,976	415,343
Other receivables	15,241,374	7,906,078
	15,515,350	8,321,421

10. Trade And Other Payables

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

	30/09/2006 (unaudited) HK\$	31/03/2006 (audited) HK\$
0 – 30 days	333,928	668,825
31 – 60 days	368,197	356,828
Over 60 days	1,378,979	1,634,882
Trade payables	2,081,104	2,660,535
Other payables	4,214,753	4,240,637
	<u>6,295,857</u>	<u>6,901,172</u>

11. Share Capital

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

12. Commitments

(a) Operating lease arrangements

The Group as lessee:

At 30/9/2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30/09/2006 (unaudited) HK\$	31/03/2006 (audited) HK\$
Within one year	4,597,647	4,138,585
In the second to fifth year inclusive	16,930,588	16,274,339
Over five years	53,529,412	54,925,894
	<u>75,057,647</u>	<u>75,338,818</u>

The Group as lessor:

Property rental income earned during the period was HK\$3,154,352 (2005: HK\$3,398,094).

At 30/9/2006, the Group had not contracted with tenants for future minimum lease payments under non-cancellable operating leases.

(b) Capital commitments

	30/09/2006 (unaudited) HK\$	31/03/2006 (audited) HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	–	1,725,502
Acquisition of investment properties	–	40,800,000
	<u>–</u>	<u>42,525,502</u>

OVERALL RESULTS

For the six months ended 30 September 2006, Far East Hotels And Entertainment Limited (the “Company”) and its subsidiaries (the “Group”) recorded an unaudited consolidated net loss attributable to shareholders of HK\$37,724,453 (30/09/2005: net profit of HK\$1,039,749).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2006 (2005: Nil).

REVIEW OF OPERATIONS

The overall turnover of Cheung Chau Warwick Hotel has increased by 10% compared with last corresponding period. During the period under review, as more renovated rooms are available for sale, hence room revenue has increased by approximately HK\$1 million compared with last corresponding period. However, the food and beverage revenue has decreased compared with last corresponding period due to the keen competition of competitors of Cheung Chau Island.

The overall turnover and performance of Beijing Warwick International Apartments remain stable during the period under review.

The directors of the Company’s associate Bolan Holdings N.V. have re-assessed its interest in land situated in Sydney, Australia and made an impairment provision of asset value by US\$10 million, of which the Group shared HK\$24,570,000.

PROSPECTS

The next phase of upgrading renovation works of Cheung Chau Warwick Hotel is tentatively scheduled to be completed in the middle of 2007. After renovation, more functional activities can be provided at the open area of swimming pool and barbecue site. The management believes that both the average occupancy rate and the average room rate will further improve.

As the 2008 Olympic Games event is approaching, the management believes that the turnover of Beijing Warwick International Apartments will further increase.

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 30/09/2006, the Group had bank credit facilities amounting to approximately HK\$90,713,000 (31/03/2006: HK\$57,169,000), of which approximately HK\$78,713,000 (31/03/2006: HK\$45,051,000) were utilised. These facilities were secured by legal mortgages over the Group’s properties and deposits.

At 30/09/2006, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders’ funds at 30/09/2006 amounted to approximately HK\$396 million (31/03/2006: approximately HK\$435 million). Accordingly, the Group’s gearing ratio (total bank credit facilities utilized to shareholders’ funds) at 30/09/2006 is 20% (31/03/2006: 10%).

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 2006, with deviations from code provision A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

None of the existing Non-executive Directors of the Company is appointed for a specific term and Managing Director is not subject to re-election by rotation by the Company’s Articles of Association (the “Articles”) 76. This constitutes a deviation from code provision A.4.1 and A.4.2 of the Code. However, all Directors of the Company excluding Managing Director are subject to the retirement by rotation at each annual general meeting under Articles 78 and 79 of the Company. In view of good Corporate Governance Practices, Managing Director voluntarily retires from his office at the last annual general meeting of the Company notwithstanding that he is not required to do so by the Company’s Article 76. 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 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 2006.

REMUNERATION COMMITTEE

The Company had 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 standard set out in the Model Code throughout the six months ended 30 September 2006.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The financial and other information of the Company required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Derek Chiu
Managing Director & Chief Executive

15 December 2006

As at the date of this statement, 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; alternate Directors are Mr. Chan Chi Hing (alternate Director to Mr. Deacon Te Ken Chiu), Mr. Tang Sung Ki (alternate Director to Mr. Desmond Chiu).