



FAR EAST HOTELS AND ENTERTAINMENT LIMITED

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

RESULTS

The Board of Directors of Far East Hotels And Entertainment Limited (the “Company”) announces the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

		Year ended 31 March	
	Notes	2005 HK\$	2004 HK\$
Turnover	2	29,925,779	52,724,890
Cost of sales		(32,410,619)	(40,473,830)
		(2,484,840)	12,251,060
Other operating income		5,805,596	6,310,934
Administrative expenses		(14,390,480)	(17,658,830)
Gain (loss) on disposal of investment properties		8,130,370	(55,000)
Revaluation increase on investment properties		520,880	3,150,000
Revaluation increase on hotel property		1,301,340	2,010,459
(Loss) profit from operations		(1,117,134)	6,008,623
Finance costs	3	(3,908,175)	(4,630,842)
Share of results of associates		15,108,044	(12,623,490)
Profit (loss) before taxation		10,082,735	(11,245,709)
Taxation	4	(1,290,866)	(548,907)
Profit (loss) for the year		8,791,869	(11,794,616)
		Cents	Cents
Earnings (loss) per share	5		
– basic		1.80	(2.41)
– diluted		1.80	N/A

NOTES

1. Basis Of Preparation And Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. Certain comparative figures for last year have been restated to conform with the current year's presentation.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. Segmental Information

Business segments

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
2005							
REVENUE							
Turnover	13,478,741	6,815,613	7,485,517	919,493	1,226,415	–	29,925,779
RESULTS							
Segment results	1,756,841	(3,736,398)	2,332,159	919,493	(596,962)	(633,474)	41,659
Bank interest income							6,003
Dividend income	–	–	254,220	–	–	–	254,220
Unallocated administrative expenses							(11,371,606)
Gain on disposal of investment properties	–	8,130,370	–	–	–	–	8,130,370
Revaluation increase on investment properties	–	520,880	–	–	–	–	520,880
Revaluation increase on hotel property	1,301,340	–	–	–	–	–	1,301,340
Loss from operations							(1,117,134)
Finance costs							(3,908,175)
Share of results of associates	–	13,752,717	–	12,335,707	–	(10,980,380)	15,108,044
Profit before taxation							10,082,735
Taxation							(1,290,866)
Profit for the year							8,791,869
2004							
REVENUE							
Turnover	11,180,180	6,294,399	28,499,312	5,530,882	1,220,117	–	52,724,890
RESULTS							
Segment results	769,140	(11,075,106)	15,866,115	4,691,428	(665,283)	(1,138,684)	8,447,610
Bank interest income							71,153
Dividend income	–	–	732,797	–	–	–	732,797
Unallocated administrative expenses							(8,348,396)
Loss on disposal of investment properties	–	(55,000)	–	–	–	–	(55,000)
Revaluation increase on investment properties	–	3,150,000	–	–	–	–	3,150,000
Revaluation increase on hotel property	2,010,459	–	–	–	–	–	2,010,459
Profit from operations							6,008,623
Finance costs							(4,630,842)
Share of results of associates	–	116,768	–	(5,217,211)	–	(7,523,047)	(12,623,490)
Loss before taxation							(11,245,709)
Taxation							(548,907)
Loss for the year							(11,794,616)
Geographical segments							
	Sales revenue by geographical market		Contribution to (loss) profit from operations				
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$			
Hong Kong	24,874,641	48,652,765	5,651,004	14,986,639			
People's Republic of China	5,051,138	4,072,125	(6,768,138)	(8,978,016)			
	29,925,779	52,724,890	(1,117,134)	6,008,623			

3. Finance Costs

	2005 HK\$	2004 HK\$
Interest on bank and other borrowings:		
Wholly repayable within five years	3,109,330	4,059,945
Not wholly repayable within five years	756,781	518,733
Interest on finance leases	42,064	52,164
	3,908,175	4,630,842

4. Taxation

	2005 HK\$	2004 HK\$
Underprovision in prior year		
Hong Kong	112,427	–
Deferred taxation		
Current year	–	(178,880)
Attributable to a change in tax rate	–	659,855
	–	480,975
Share of taxation of associates	1,178,439	67,932
	1,290,866	548,907

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 years.

5. Earnings (Loss) Per Share

- (a) Basic earnings (loss) per share
- The calculation of basic earnings (loss) per share is based on the profit for the year of HK\$8,791,869 (2004: loss of HK\$11,794,616) and on 488,842,675 (2004: 488,842,675) ordinary shares in issue during the year.
- (b) Diluted earnings (loss) per share
- The computation of diluted earnings per share has not assumed the exercise of the outstanding share options of the Company since their exercise prices were greater than the average market price of shares for the year.
- No diluted loss per share is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share in year 2004.

6. Depreciation And Amortisation

During the year, depreciation of HK\$5,585,329 (2004: HK\$5,719,342) was charged in respect of the Group's property, plant and equipment.

Amortisation on intangible asset of HK\$1,885,400 (2004: HK\$1,885,400) was charged during the year.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year (2004: Nil).

REVIEW OF OPERATIONS

Cheung Chau Warwick Hotel continues captured more local business with turnover on food and beverage section increased by 28% compared with last year. The business of room section also increased by 8% compared with last year. The consolidated turnover has then been increased by 20% compared with last year.

The turnover of Beijing Warwick International Apartments has increased by 24% compared with last year.

During the year, the Group has disposed its carport podium at 3rd to 6th Floor, Lisa House, No. 33-37 Nelson Street, Kowloon, Hong Kong at a consideration of HK\$34,500,000 and making a profit of approximately HK\$8 million.

During the year, the Company's associate has disposed its property situated at Office Tower of Convention Plaza, Hong Kong and the Group has shared a profit of approximately HK\$14.8 million.

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\$5 million.

PROSPECTS

Phase I's renovation of both the Cheung Chau Warwick Hotel and Beijing Warwick International Apartments has been completed and approximately 50% and 30% of the rooms have been renovated respectively. After renovation, both the room rate and occupancy rate have shown improvement. Phase II's renovation of both establishments has begun in order to cope with the recovery of economy.

Further, there is an added benefit to Beijing Warwick International Apartments with the opening of the new road from the Second Ring Road to the side of the apartments and the 2008 Olympic Games event. To cope with this benefit, the Company has decided to open a new entrance with reception of Beijing Warwick International Apartments facing the new road.

In view of the turnaround economic situation in Hong Kong, the Company will actively consider the redevelopment of the adjacent lands of the Nob Hill development and look for opportunities in its core business as well as diversifying into other businesses.

EMPLOYEES

The Group has approximately 100 employees. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance.

FINANCE ACTIVITIES

At the balance sheet date, bank loan and overdraft facilities of the Group and the Company amounted to approximately HK\$31,734,000 (2004: HK\$89,356,000) and HK\$18,710,000 (2004: HK\$67,200,000) respectively, of which approximately HK\$29,545,000 (2004: HK\$89,260,000) and HK\$16,640,000 (2004: HK\$67,104,000) were utilized, respectively. These facilities were secured by various properties and deposits.

At 31 March 2005, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2005 amounted to approximately HK\$481 million (2004: approximately HK\$478 million). Accordingly, the Group's gearing ratio (total bank loan and overdraft facilities utilized to shareholders' funds) at 31 March 2005 is 6% (2004: 19%).

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

During the year ended 31 March 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the audited financial statements for the year ended 31 March 2005 approved by the directors.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) which was in force prior to 1 April 2005.

MODEL CODE

The Company has adopted the Model Code of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2005.

PUBLICATION OF THE ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE

The financial and other information required by Paragraphs 45(1) to 45(3) of 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

Hong Kong, 15 July 2005

As at the date hereof, 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 Tat-cheong Chiu, Mr. Dennis Tat-shing Chiu, Mr. Duncan Chiu; the independent non-executive Directors are Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond; and the alternate Directors are Mr. Chan Chi Hing (alternate Director to Mr. Deacon Te-ken Chiu) and Mr. Tang Sung Ki (alternate Director to Mr. Desmond Chiu).