



Interim Report 2012



Far East Hotels and Entertainment Limited

Stock Code : 37

	<i>Page(s)</i>
Corporate Information	2
Managing Director & Chief Executive's Statement	3
Interim Financial Information	
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5-6
Condensed Consolidated Statement of Changes In Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Financial Statements	9-18
Additional Information Required By Listing Rules	19-24

In the event of any error or omission in translation of this Interim Report, the English text shall be taken as correct.

CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Deacon Te Ken Chiu, J.P. (*Chairman*)

Derek Chiu, B.A.

(*Managing Director and Chief Executive*)

Desmond Chiu, B.A.

(*Deputy Managing Director*)

Margaret Chiu, LL.B.

Non-executive Directors

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

Independent Non-executive Directors

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Company Secretary

Lim Yi Ping

Solicitors

Woo Kwan Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

Authorised Representatives

Derek Chiu, B.A.

Desmond Chiu, B.A.

Audit Committee

Ng Wing Hang Patrick

Ip Shing Hing, J.P.

Choy Wai Shek Raymond, MH, J.P.

Remuneration Committee

Choy Wai Shek Raymond, MH, J.P.

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Derek Chiu, B.A.

Nomination Committee

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Derek Chiu, B.A.

Principal Bankers

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Public Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

Registered & Principal Office

Suite 1902, 19th Floor

The Sun's Group Centre

200 Gloucester Road

Wanchai, Hong Kong

Share Registrars

Tricor Standard Limited

26/F., Tesbury Centre

28 Queen's Road East, Hong Kong

Stock Exchange

The Shares of the Company are listed on

The Stock Exchange of Hong Kong Limited

Stock Code

0037

Website

www.tricor.com.hk/web/service/00037

OVERALL RESULTS

For the six months ended 30 September 2012, Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net loss attributable to shareholders of HK\$5,576,354 (30/09/2011: net loss of HK\$10,423,397).

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%).

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	Six months ended 30 September	
		2012 (unaudited) HK\$	2011 (unaudited) (restated) 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)
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

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30/09/2012 (unaudited)	31/03/2012 (audited) (restated)
	Notes	HK\$	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

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2012

	Notes	30/09/2012 (unaudited) HK\$	31/03/2012 (audited) (restated) HK\$
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
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

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Capital redemption reserve HK\$	Property revaluation reserve HK\$	Translation reserve HK\$	Special reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2011 (Audited)	48,884,268	210,865,965	1,433,663	28,990,000	2,938,532	(3,375,629)	41,613,597	(29,054,763)	302,295,633
Effect of adoption of amendments to HKAS12	-	-	-	-	-	-	-	9,005,162	9,005,162
At 1 April 2011 (Restated)	48,884,268	210,865,965	1,433,663	28,990,000	2,938,532	(3,375,629)	41,613,597	(20,049,601)	311,300,795
Loss for the period	-	-	-	-	-	-	-	(10,423,397)	(10,423,397)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	421,418	-	-	421,418
Released upon disposal of property	-	-	-	-	(2,938,532)	-	-	2,938,532	-
Total comprehensive (expenses) income for the period	-	-	-	-	(2,938,532)	421,418	-	(7,484,865)	(10,001,979)
Share-based payment expenses	-	-	631,800	-	-	-	-	-	631,800
Transfer prior year loss to special reserve	-	-	-	-	-	-	(36,581,067)	36,581,067	-
At 30 September 2011 (Unaudited)	48,884,268	210,865,965	2,065,463	28,990,000	-	(2,954,211)	5,032,530	9,046,601	301,930,616
At 1 April 2012 (Audited)	48,884,268	210,865,965	2,065,463	28,990,000	-	(2,876,512)	26,255,761	(751,815)	313,433,130
Effect of adoption of amendments to HKAS12	-	-	-	-	-	-	-	12,975,116	12,975,116
At 1 April 2012 (Restated)	48,884,268	210,865,965	2,065,463	28,990,000	-	(2,876,512)	26,255,761	12,223,301	326,408,246
Loss for the period	-	-	-	-	-	-	-	(5,576,354)	(5,576,354)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(131,926)	-	-	(131,926)
Total comprehensive (expenses) for the period	-	-	-	-	-	(131,926)	-	(5,576,354)	(5,708,280)
Share-based payment expenses	-	-	442,656	-	-	-	-	-	442,656
Transfer prior year loss to special reserve	-	-	-	-	-	-	3,801,022	(3,801,022)	-
At 30 September 2012 (Unaudited)	48,884,268	210,865,965	2,508,119	28,990,000	-	(3,008,438)	30,056,783	2,845,925	321,142,622

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 (unaudited) HK\$	2011 (unaudited) HK\$
Net cash from (used in) operating activities	588,259	(9,510,207)
Net cash (used in) from investing activities	(2,543,905)	19,925,990
Net cash (used in) financing activities	(207,063)	(6,622,157)
Net (decrease) increase in cash and cash equivalents	(2,162,709)	3,793,626
Cash and cash equivalents at beginning of the period	6,884,367	8,865,596
Effect of foreign exchange rate changes	89,935	(471,890)
Cash and cash equivalents at end of the period	4,811,593	12,187,332

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 HKAS 12 “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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

3. SEGMENT INFORMATION (Continued)

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)

INTERIM FINANCIAL INFORMATION

3. SEGMENT INFORMATION (Continued)

	Hotel operation and Hotel operation in Hong Kong HK\$	Hotel property letting in PRC HK\$	Property investment in Hong Kong HK\$	Securities investment and trading HK\$	Total HK\$
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

INTERIM FINANCIAL INFORMATION

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 (unaudited)	2011 (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.

INTERIM FINANCIAL INFORMATION

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

	30/09/2012 (unaudited) HK\$	31/03/2012 (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

INTERIM FINANCIAL INFORMATION

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).

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2012, the interests and short positions of the directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Directors' interest in shares and underlying shares of the Company

Name of director	Number of issued ordinary shares held				Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total	
Mr. Deacon Te Ken Chiu	12,491,424	–	108,901,052	121,392,476	(Note 1) 24.83%
Mr. Derek Chiu	12,394,000	–	78,430,299	90,824,299	(Note 2) 18.58%
Madam Chiu Ju Ching Lan	188,000	–	–	188,000	0.04%
Mr. Dick Tat Sang Chiu	12,172,800	–	22,277,033	34,449,833	(Note 3) 7.05%
Ms. Margaret Chiu	676,240	–	5,000,000	5,676,240	(Note 4) 1.16%

Notes:

- (1) Of the 108,901,052 shares, (i) 100,939,842 shares were held by various private companies wholly owned by Mr. Deacon Te Ken Chiu of which 72,182,400 shares were held by Achiemax Limited; (ii) 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited; and (iii) 7,666,000 shares were held by Brentford Investments Inc., a wholly-owned subsidiary of Far East Holdings International Limited. Mr. Deacon Te Ken Chiu is a controlling shareholder of these companies.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

- (2) The 78,430,299 shares were held by Energy Overseas Ltd., a company wholly owned by Mr. Derek Chiu.
- (3) The 22,277,033 shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu.
- (4) The 5,000,000 shares were held by a private company wholly owned by Ms. Margaret Chiu.

(b) Directors' interest in shares and underlying shares of associated corporation

Name of director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of associated corporation
Mr. Derek Chiu	Long Position	Sino Noble Development Limited	50	50%

Sino Noble Development Limited is jointly held by Mr. Derek Chiu and the Company.

Save as disclosed above, as at 30 September 2012, none of the directors nor the Company's chief executive nor their respective associates, had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listing Companies.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

(c) Share options of the Company

At an extraordinary general meeting of the Company held on 1 June 2007, an ordinary resolution to approve the adoption of a new share option scheme that complies with the Listing Rules was duly passed by shareholders. Movements of share options granted under the scheme during the period and as at 30 September 2012 were as follows:

Category of Grantee	Number of Options					Exercise Price HK\$	Grant date	Exercisable Period	
	Options held at 1 April 2012	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options held at 30 September 2012			From	To
Executive directors									
Mr. Derek Chiu	4,500,000	-	-	-	4,500,000	0.2498	15/04/2011	15/04/2011	14/04/2021
	-	4,800,000	-	-	4,800,000	0.1652	28/08/2012	28/08/2012	27/08/2022
Independent non- executive directors									
Mr. Ip Shing Hing	1,000,000	-	-	-	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
Mr. Ng Wing Hang Patrick	1,000,000	-	-	-	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
Mr. Choy Wai Shek Raymond	1,000,000	-	-	-	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
Aggregate for employees	5,000,000	-	-	(2,000,000)	3,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
	1,500,000	-	-	(500,000)	1,000,000	0.2650	24/02/2010	24/02/2010	23/02/2020
	<u>14,000,000</u>	<u>4,800,000</u>	<u>-</u>	<u>(2,500,000)</u>	<u>16,300,000</u>				

No share options were cancelled during the six months ended 30 September 2012. No vesting period was provided for the above share options granted.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as the interests of certain directors disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES", according to the register of interests maintained by the Company pursuant to Section 336 of the SFO and so far as was known to the directors or chief executive of the Company, as at 30 September 2012, the following persons or corporations (other than a director or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Achiemax Limited (<i>Note 1</i>)	Beneficial owner	72,182,400	14.77%
Energy Overseas Ltd. (<i>Note 2</i>)	Beneficial owner	78,430,299	16.04%

Notes:

- (1) Mr. Deacon Te Ken Chiu and Mr. Dennis Chiu are directors of Achiemax Limited.
- (2) Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu who is also its director.

Save as disclosed above, as at 30 September 2012 and so far as is known to the directors or chief executive of the Company, there was no other person (other than a director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the period, the updated information on directors discloseable under Rule 13.51B(1) of the Listing Rules was as follows:

- Mr. Ng Wing Hang, an independent non-executive director, resigned as independent non-executive director of Ming Kei Holdings Limited (stock code: 8239) on 26 June 2012.

Save as disclosed above, none of the directors have any changes in the information required to be disclosed under Rule 13.51B(1) of the Listing Rules during the period.

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 a deviation 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.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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 & Chief Executive 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.

NOMINATION COMMITTEE

A nomination committee was established by the Board on 2 March 2012. The terms of reference of the nomination committee are consistent with the terms set out in the relevant provisions of the Code. The committee comprises three independent non-executive directors, namely Mr. Ip Shing Hing (chairman of the nomination committee), Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director & Chief Executive of the Company, Mr. Derek Chiu.

The nomination committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition.

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.

On Behalf of the Board

Derek Chiu

Managing Director & Chief Executive

Hong Kong, 29 November 2012