



Far East Hotels and Entertainment Limited

Stock Code : 37

Interim Report 2013



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In the event of any error or omission in translation of this Interim Report, the English text shall prevail.

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*)

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

Kwok Siu Man

Solicitors

Woo Kwan Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

Authorised Representatives

Derek Chiu, B.A.

Kwok Siu Man

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 Registrar

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

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

OVERALL RESULTS

For the six months ended 30 September 2013, Far East Hotels and Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net loss attributable to shareholders of HK\$8,058,588 (30/09/2012: net loss of HK\$5,576,354).

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.

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

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.

INTERIM FINANCIAL INFORMATION

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	15	(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	7	–	–
Loss for the period attributable to owners of the Company		(8,058,588)	(5,576,354)
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	8	(1.65)	(1.14)
Loss per share – Diluted		(1.65)	(1.14)

INTERIM FINANCIAL INFORMATION

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	15	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	9	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	10	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

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2013

		30/09/2013 (unaudited) HK\$	31/03/2013 (audited) HK\$
	Notes		
CURRENT LIABILITIES			
Trade and other payables	11	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	12	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
CAPITAL AND RESERVES			
Share capital	13	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	12	39,004,301	34,265,000
		41,057,702	36,318,401
		372,051,179	375,243,822

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Capital redemption reserve HK\$	Translation reserve HK\$	Special reserve HK\$	Accumulated losses HK\$	Total HK\$
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
At 1 April 2013 (Audited)	48,884,268	210,865,965	2,508,119	28,990,000	(2,822,309)	22,454,740	28,044,638	338,925,421
Loss for the period	-	-	-	-	-	-	(8,058,588)	(8,058,588)
Exchange differences arising on translation of foreign operations	-	-	-	-	126,644	-	-	126,644
Total comprehensive (expenses) income for the period	-	-	-	-	126,644	-	(8,058,588)	(7,931,944)
Transfer prior year loss to special reserve	-	-	-	-	-	(5,892,657)	5,892,657	-
At 30 September 2013 (Unaudited)	48,884,268	210,865,965	2,508,119	28,990,000	(2,695,665)	16,562,083	25,878,707	330,993,477

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$	HK\$
Net cash from operating activities	699,375	588,259
Net cash used in investing activities	(135,439)	(2,543,905)
Net cash used in financing activities	(2,285,558)	(207,063)
Net decrease in cash and cash equivalents	(1,721,622)	(2,162,709)
Cash and cash equivalents at beginning of the period	7,568,603	6,884,367
Effect of foreign exchange rate changes	(209,158)	89,935
Cash and cash equivalents at end of the period	5,637,823	4,811,593

INTERIM FINANCIAL INFORMATION

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.

INTERIM FINANCIAL INFORMATION

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)

INTERIM FINANCIAL INFORMATION

3. SEGMENT INFORMATION (Continued)

	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)

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

INTERIM FINANCIAL INFORMATION

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

INTERIM FINANCIAL INFORMATION

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

INTERIM FINANCIAL INFORMATION

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 for both periods.

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

8. 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 (unaudited)	2012 (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

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\$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

11. 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.

INTERIM FINANCIAL INFORMATION

12. 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

13. SHARE CAPITAL

	30/09/2013 (unaudited) HK\$	31/03/2013 (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

INTERIM FINANCIAL INFORMATION

14. 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 FINANCIAL INFORMATION

15. 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.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2013, the interests and short positions of the directors and the chief executive of the Company 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 Chapter 571 of the laws of Hong Kong (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 Issuers (the "Model Code") set out in Appendix 10 contained in the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") were as follows:

(a) Long position in the ordinary shares of the Company

Name of directors	Number of issued ordinary shares held			Approximate percentage of issued share capital of the Company
	Personal 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.
- (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.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

(b) Long position in the ordinary 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	Personal Interest	Sino Noble Development Limited	50	50%

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

(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 the share options held by the directors and employees were as follows:

Category of Grantee	Number of Options					Exercise Price HK\$	Grant Date	Exercisable Period	
	Held at 1 April 2013	Granted during the period	Exercised during the period	Lapsed/ Cancelled/ during the period	Held at 30 September 2013			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	0.1632	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									
	3,000,000	-	-	-	3,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
	1,000,000	-	-	-	1,000,000	0.2650	24/02/2010	24/02/2010	23/02/2020
	<u>16,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,300,000</u>				

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

Save as disclosed above, as at 30 September 2013, none of the directors nor the chief executive of the Company 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 contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as the interests of certain directors disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", according to the register of interests maintained by the Company pursuant to Section 336 of the SFO and as far as the directors of the Company are aware, as at 30 September 2013, the following corporations (other than a director or the 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 were, 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:

Long position in the ordinary shares of the Company

Name of shareholders	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 is a director of Achiemax Limited.
- (2) Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu who is also its director.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

Save as disclosed above, as at 30 September 2013, the Company has not been notified of any persons or corporations (other than a director or the 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 were, 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

- (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.

CHANGE IN DIRECTOR'S AND SECRETARY'S INFORMATION

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 23 September 2013.

BOARD DIVERSITY POLICY

The Board adopted the board diversity policy in September 2013 and discussed all measurable objectives set for implementing the policy.

AUDIT COMMITTEE

The audit committee of the Company comprises all the 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 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.

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

Hong Kong, 25 November 2013