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FAR EAST HOTELS AND ENTERTAINMENT LIMITED

遠東酒店實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0037)

Announcement
Interim Results For The Six Months Ended 30 September 2014

INTERIM RESULTS

The board of directors of Far East Hotels and Entertainment Limited (the “Company” and the “Board”, respectively) announces that the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2014 together with the relevant comparative figures are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	2013
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Revenue		**28,073,292**	16,844,913
Cost of sales		**(19,081,237)**	(15,445,961)
Gross profit		**8,992,055**	1,398,952
Other gains and losses	5	**(761,168)**	3,904,538
Administrative expenses		**(8,063,865)**	(7,971,507)
Finance costs	6	**(549,079)**	(482,226)
Impairment loss on investment properties		**-**	(5,100,000)
Share of results of associates		**227,820**	194,433
Share of results of a joint venture		**(2,678)**	(2,778)
Loss before taxation		**(156,915)**	(8,058,588)
Taxation	7	**-**	-
Loss for the period attributable to owners of the Company		**(156,915)**	(8,058,588)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	2013
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(6,890)**	126,644
Total comprehensive expense for the period attributable to owners of the Company		**(163,805)**	(7,931,944)
		HK Cents	HK Cents
Loss per share - Basic	8	**(0.03)**	(1.65)
Loss per share - Diluted		**(0.03)**	(1.65)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	**30/09/2014 (unaudited)**	31/03/2014 (audited)
		HK$	HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**84,686,828**	80,419,123
Investment properties		**114,854,041**	106,428,000
Interests in associates		**1,247,864**	1,020,044
Interest in a joint venture		**12,695,980**	12,698,658
Loan to a joint venture	9	**8,719,144**	8,718,966
Available-for-sale investments		**159,188,314**	159,188,314
Paintings		**3,921,217**	3,921,217
		385,313,388	372,394,322
CURRENT ASSETS			
Held-for-trading investments		**22,176,440**	23,449,125
Inventories		**511,578**	534,488
Trade receivables	10	**445,088**	473,318
Other receivables, deposits and prepayment		**3,639,224**	1,939,283
Pledged bank deposits		**2,118,000**	2,118,000
Bank balances and cash		**10,214,652**	20,495,374
		39,104,982	49,009,588
CURRENT LIABILITIES			
Trade and other payables	11	**8,171,420**	8,372,194
Receipt in advance		**9,755,732**	3,525,494
Deposits received		**332,558**	2,509,253
Obligations under finance leases		**122,378**	-
Amounts due to directors		**210,000**	-
Amounts due to associates		**1,215,381**	568,381
Amounts due to related companies		**732,781**	747,856
Amount due to a non-controlling shareholder		**6,750,789**	7,376,119
Bank borrowings - due within one year	12	**2,920,667**	2,888,548
Bank overdrafts		**-**	339,654
		30,211,706	26,327,499
NET CURRENT ASSETS		**8,893,276**	22,682,089
		394,206,664	395,076,411

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2014

	Notes	**30/09/2014 (unaudited)**	31/03/2014 (audited)
		HK$	HK$
CAPITAL AND RESERVES			
Share capital	13	**308,099,513**	308,099,513
Reserves		**47,531,745**	47,695,550
		355,631,258	355,795,063
NON-CURRENT LIABILITIES			
Provision for long service payments		**2,053,401**	2,053,401
Bank borrowings - due after one year	12	**36,083,497**	37,227,947
Obligations under finance leases		**438,508**	-
		38,575,406	39,281,348
		394,206,664	395,076,411

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 2014 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 2014, 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 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on measurement and classification of the Group's available-for-sale investments, which will be measured at fair value. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. Segment information

The Group's operating and reportable segments are as follows:

1. Hotel operation in Hong Kong
2. Hotel operation and property letting in the People's Republic of China, excluding Hong Kong ("PRC")
3. Property investment in Hong Kong
4. Securities investment and trading

Segment revenues and results

The following is an analysis of the Group's revenue and profit (loss) by operating segments:

	Hotel operation in Hong Kong HK$	Hotel operation and property letting in PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Total HK$
Six months ended 30 September 2014 (unaudited)					
Revenue	**12,854,051**	**15,219,241**	**-**	**-**	**28,073,292**
Segment profit (loss)	**4,129,589**	**5,397,254**	**(537,466)**	**(734,344)**	**8,255,033**
Unallocated gains and losses					**(26,824)**
Unallocated expenses					**(8,063,865)**
Unallocated finance costs					**(549,079)**
Share of results of associates					**227,820**
Loss before taxation					**(156,915)**
Taxation					**-**
Loss for the period					**(156,915)**
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)

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September **2014** **(unaudited)** **HK$**	2013 (unaudited) HK$
Hong Kong	**12,854,051**	12,038,299
PRC	**15,219,241**	4,806,614
	28,073,292	16,844,913

4. Loss before taxation

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK$	HK$
Loss before taxation has been arrived at after charging:		
Depreciation	**3,682,500**	3,807,012
Auditor's remuneration	**405,000**	433,451
Directors' remuneration & other staff costs		
Salaries, bonus and allowances	**6,540,165**	5,960,101
Retirement benefits cost	**723,614**	408,781
	7,263,779	6,368,882
Operating lease rentals in respect of rental premises	**3,601,303**	3,565,821
Share of taxation of associates (included in share of results of associates)	**33,024**	26,425
Cost of inventories recognised as an expense	**2,336,881**	1,783,782
and after crediting:		
Net rental income from properties	**12,937,447**	914,815

5. Other gains and losses

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK$	HK$
Dividend income from listed securities	**603,525**	453,706
(Decrease)increase in fair value of held-for-trading investments	**(1,337,869)**	3,446,591
Loss on disposal of property, plant & equipment	**(29,942)**	-
Bank interest income	**2,974**	2,534
Other interest income	**144**	207
Sundry income	**-**	1,500
	(761,168)	3,904,538

6. Finance costs

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank borrowings		
Wholly repayable within 5 years	**211,306**	237,502
Not wholly repayable within 5 years	**324,898**	244,724
Interest on finance leases	**12,875**	-
	549,079	482,226

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 profit 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$156,915 (30/09/2013: loss of HK$8,058,588) and the number of shares as calculated below:

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	**591,410,675**	488,842,675
Effect of dilutive potential ordinary shares from share options	**168,282**	791,400
Weighted average number of ordinary shares for the purpose of diluted loss per share	**591,578,957**	489,634,075

9. Loan to a joint venture

The loan to the joint venture 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.

10. Trade receivables

Included in trade receivables are trade debtors of HK$445,088 (31/03/2014: HK$473,318), 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:

	30/09/2014 (unaudited) HK$	31/03/2014 (audited) HK$
0 - 30 days	**221,881**	44,239
31 - 60 days	**79,048**	1,021
Over 60 days	**144,159**	428,058
	445,088	473,318

11. Trade and other payables

Included in trade and other payables are trade creditors of HK$1,501,991 (31/03/2014: HK$1,484,885).

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

	30/09/2014 (unaudited) HK$	31/03/2014 (audited) HK$
0 - 30 days	**388,786**	614,023
31 - 60 days	**375,888**	347,304
Over 60 days	**737,317**	523,558
	1,501,991	1,484,885

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

12. Bank borrowings

	30/09/2014 (unaudited) HK$	31/03/2014 (audited) HK$
Bank borrowings are secured and repayable as follows:		
Within one year	**2,920,667**	2,888,548
More than one year, but not exceeding five years	**25,194,449**	25,060,629
More than five years	**10,889,048**	12,167,318
	39,004,164	40,116,495
Less: Amount due within one year shown under current liabilities	**(2,920,667)**	(2,888,548)
Amount due after one year	**36,083,497**	37,227,947

13. Share capital

	Number of Shares	**HK$**
Issued and fully paid:		
At 31 March 2014 and 30 September 2014		
- Ordinary shares with no par value	591,410,675	308,099,513

14. Operating lease

The Group as lessee:

At 30 September 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30/09/2014 (unaudited) HK$	31/03/2014 (audited) HK$
Within one year	**6,391,685**	6,497,513
In the second to fifth year inclusive	**21,380,738**	22,168,675
Over five years	**26,498,423**	29,126,214
	54,270,846	57,792,402

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 2014, the Group had contracted with tenants for the following future minimum lease payments:

	30/09/2014 (unaudited) HK$	31/03/2014 (audited) HK$
Within one year	**28,638,570**	26,357,836
In the second to fifth year inclusive	**27,106,435**	39,587,126
	55,745,005	65,944,962

The properties have committed tenants for a term of three to five years (31/03/2014: three to five years).

INTERIM DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2014 (2013: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of the Group has increased by approximately 66% compared with the last corresponding period. Of which, the turnover of the Cheung Chau Warwick Hotel has increased by approximately 6.7% compared with the last corresponding period and contributed a segment profit of approximately HK$4.1 million while the turnover of the Beijing Warwick has increased by approximately HK$10 million compared with the last corresponding period and contributed a segment profit of approximately HK$5.3 million.

The Cheung Chau Warwick Hotel has recorded an increase in the room revenue and the food and beverage revenue by approximately 5.1% and 9.8% respectively. The conversion of the Beijing Warwick into office premises has been completed during the period and the high occupancy of which has contributed a significant increase in revenue.

Due to the recent unforeseen circumstances such as the "Occupy Central" movement in Hong Kong and the uncertain economic environment in mainland China, it is currently not clear whether the overall business of the Group will be affected in the near future. The management will closely monitor and react to the market changes.

In securities investment and trading, the Group has recorded a loss of approximately HK$734,000.

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

LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2014, the Group had bank balances and cash of HK$10,214,652 (31/03/2014: HK$20,495,374) and pledged bank deposits of HK$2,118,000 (31/03/2014: HK$2,118,000)

At 30 September 2014, there were outstanding bank loans and utilised overdraft facilities of HK$39,004,164 (31/03/2014: HK$40,456,149) and unutilised overdraft facilities of HK$6,000,000 (31/03/2014: HK$5,660,346) available to the Group.

At 30 September 2014, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2014 amounted to approximately HK$356 million (31/03/2014: approximately HK$356 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2014 is 11% (31/03/2014: 11%).

CONTINGENT LIABILITIES

At 30 September 2014, the Company has issued financial guarantees of HK$18,000,000 (31/03/2014: HK$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$16,080,000 (31/03/2014: HK$16,080,000) has been utilised by its subsidiaries.

CAPITAL COMMITMENTS

At 30 September 2014, the Group had capital commitments amounting to approximately HK$2,760,000 (31/03/2014: Nil).

EMPLOYEES

At 30 September 2014, the Group had approximately 70 employees. Employees are remunerated in accordance with the nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees.

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

During the six months ended 30 September 2014, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited nor did the Company or any of its subsidiaries purchase or sell any of such shares.

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 2014, 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 and subject to re-election.

    None of the existing non-executive directors of the Company was appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all directors of the Company are subject to retirement by rotation at annual general meetings under Articles 78 and 79 of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

(b) Code provision E.1.2 of the Code stipulates that the chairman of the Board should attend the annual general meeting. The chairman of the Board was unable to attend the Company's annual general meeting held on 2 September 2014 due to other business engagement. However, an executive director who is also 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.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Ip Shing Hing and Mr. Choy Wai Shek Raymond.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon a specific enquiry made on them 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 2014.

By Order of the Board
Far East Hotels and Entertainment Limited

Derek Chiu
Managing Director and Chief Executive

Hong Kong, 26 November 2014

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