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
Final Results For The Year Ended 31 March 2015

RESULTS

The board of directors (the "Board") of Far East Hotels and Entertainment Limited (the "Company") announces that the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2015 together with the relevant comparative figures are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	**2015** **HK$**	2014 HK$
Revenue	2	**52,166,196**	39,317,966
Cost of sales		**(38,055,620)**	(32,788,364)
Gross profit		**14,110,576**	6,529,602
Other income		**1,235,054**	1,224,597
Other gains and losses		**(2,300,202)**	(2,066,041)
Impairment loss on available-for-sale investments		**(19,188,314)**	-
(Decrease) increase in fair value of investment properties		**(46,560,401)**	5,743,797
Administrative expenses		**(15,705,095)**	(17,649,032)
Finance costs	3	**(1,082,458)**	(919,491)
Share of results of associates		**548,831**	393,202
Share of result of a joint venture		**924,822**	2,394,723
Loss before tax	6	**(68,017,187)**	(4,348,643)
Income tax expense	4	**-**	-
Loss for the year attributable to owners of the Company		**(68,017,187)**	(4,348,643)
Other comprehensive (expenses) income :			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,390)**	190,447
Total comprehensive expense for the year attributable to owners of the Company		**(68,018,577)**	(4,158,196)
LOSS PER SHARE	5	**Cents**	Cents
Basic		**(11.50)**	(0.89)
Diluted		**(11.50)**	(0.89)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	**2015** HK$	2014 HK$
Non-current assets			
Property, plant and equipment		**75,280,739**	80,419,123
Deposits for acquisition of property, plant and equipment		**624,800**	-
Investment properties		**74,084,976**	106,428,000
Interests in associates		**318,875**	1,020,044
Interest in a joint venture		**14,447,619**	12,698,658
Loan to a joint venture		**8,178,303**	8,718,966
Available-for-sale investments		**140,000,000**	159,188,314
Paintings		**3,921,217**	3,921,217
		316,856,529	372,394,322
Current assets			
Held-for-trading investments		**19,026,811**	23,449,125
Inventories		**494,955**	534,488
Trade receivables	7	**4,728,804**	473,318
Other receivables, deposits and prepayment		**1,415,025**	1,939,283
Pledged bank deposits		**2,118,000**	2,118,000
Bank balances and cash		**1,211,943**	20,495,374
		28,995,538	49,009,588
Current liabilities			
Trade and other payables and accruals	8	**8,031,468**	8,372,194
Receipt in advance		**-**	3,525,494
Deposits received		**354,313**	2,509,253
Amount due to an associate		**105,381**	568,381
Amounts due to related companies		**737,441**	747,856
Amount due to a non-controlling shareholder		**6,880,444**	7,376,119
Bank borrowings - due within one year		**17,745,838**	2,888,548
Bank overdrafts		**1,488,572**	339,654
Obligations under a finance lease		**125,945**	-
		35,469,402	26,327,499
Net current (liabilities) assets		**(6,473,864)**	22,682,089
Total assets less current liabilities		**310,382,665**	395,076,411

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2015

	Note	**2015**	2014
		HK$	HK$
Capital and reserves			
Share capital	9	**308,795,513**	308,099,513
Reserves		**(20,323,027)**	47,695,550
		288,472,486	355,795,063
Non-current liabilities			
Provision for long service payments		**2,053,401**	2,053,401
Obligations under a finance lease		**374,534**	-
Bank borrowings - due after one year		**19,482,244**	37,227,947
		21,910,179	39,281,348
		310,382,665	395,076,411

Notes

1. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied for the first time in the current year the following new interpretation and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the new interpretation and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and the Group's financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

2. Segment information

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

- Hotel operation in Hong Kong
- Hotel operation and serviced property letting in The People's Republic of China, excluding Hong Kong (the "PRC")
- Property investment in Hong Kong
- Securities investment and trading

Segment revenues and results

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

	Hotel operation in Hong Kong HK$	Serviced property letting in the PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Total HK$
2015					
Revenue	**22,399,712**	**29,270,364**	**496,120**	**-**	**52,166,196**
Segment profit (loss)	**4,704,971**	**9,128,568**	**(45,813,543)**	**(1,324,942)**	**(33,304,946)**
Unallocated gains and losses					**(23,504)**
Unallocated expenses					**(14,966,796)**
Unallocated finance costs					**(1,082,458)**
Impairment loss on available-for-sale investments					**(19,188,314)**
Share of results of associates					**548,831**
Loss before tax					**(68,017,187)**
Income tax expense					**-**
Loss for the year					**(68,017,187)**

	Hotel operation in Hong Kong HK$	Hotel operation and serviced property letting in the PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Total HK$
2014					
Revenue	22,235,667	17,082,299	-	-	39,317,966
Segment profit	5,342,911	1,292,617	3,308,633	3,877,683	13,821,844
Unallocated gains and losses					4,834
Unallocated expenses					(17,649,032)
Unallocated finance costs					(919,491)
Share of results of associates					393,202
Loss before tax					(4,348,643)
Income tax expense					-
Loss for the year					(4,348,643)

Geographical information

	Revenue from external customers		Non-current assets (Note)	
	2015 HK$	2014 HK$	**2015 HK$**	2014 HK$
Hong Kong	**22,895,832**	22,235,667	**135,575,958**	169,067,926
The PRC	**29,270,364**	17,082,299	**41,280,571**	44,138,082
	52,166,196	39,317,966	**176,856,529**	213,206,008

Note: Non-current assets exclude available-for-sale invesments.

3. Finance costs

	2015	2014
	HK$	HK$
Interests on borrowings:		
Wholly repayable within five years	**419,258**	796,565
Not wholly repayable within five years	**634,730**	122,926
Obligations under a finance lease	**28,470**	-
	1,082,458	919,491

4. Income tax expense

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or has tax losses brought forward from prior years to offset the assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiary is 25%. No provision for PRC Enterprise income tax is required as the subsidiary operating in the PRC has tax losses brought forward from prior years to offset the assessable profits.

5. Loss per share

The calculation of basic and diluted loss per share is based on the loss for the year of HK$68,017,187 (2014: HK$4,348,643) and the number of shares as calculated below.

	2015	2014
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**591,632,593**	490,896,943

The computation of the diluted loss per share for the current and prior years does not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

6. Loss before tax

	2015	2014
	HK$	HK$
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**7,853,288**	8,786,162
Auditor's remuneration		
- audit services	**900,000**	961,496
- other services	**25,000**	25,000
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	**11,444,289**	11,712,481
Retirement benefits cost	**575,898**	901,189
Share-based payment expenses	**-**	1,668,558
	12,020,187	14,282,228
Loss on disposal of property, plant and equipment	**331,429**	29,531
Operating lease rentals in respect of rented premises	**6,505,432**	6,247,136
Share of taxation of associates (included in share of results of associates)	**96,454**	65,677
Cost of inventories recognised as an expense	**5,190,291**	3,670,435
and crediting:		
Net rental income from properties	**23,506,742**	10,054,960
Dividend income from held-for trading investments (included in other income)	**945,309**	944,772
Imputed interest income from loan to a joint venture (included in other income)	**283,298**	274,380
Bank interest income (included in other income)	**5,727**	5,235
Other interest income (included in other income)	**720**	210

7. Trade receivables

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 trade debtors based on invoice date, net of allowance for doubtful debts.

	2015	2014
	HK$	HK$
0 - 30 days	**2,492,981**	44,239
31 - 60 days	**2,099,172**	1,021
Over 60 days	**136,651**	428,058
	4,728,804	473,318

Trade receivables aged over 30 days are past due but are not impaired.

8. Trade and other payables and accruals

Included in trade and other payables and accruals are trade creditors of HK$1,348,198 (2014: HK$1,484,885). The following is an aged analysis of the trade creditors based on invoice date:

	2015	2014
	HK$	HK$
0 - 30 days	**675,052**	614,023
31 - 60 days	**237,554**	347,304
Over 60 days	**435,592**	523,558
	1,348,198	1,484,885

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

9. Share capital

	Number of shares	HK$
Authorised:		
At 1 April 2013		
Ordinary shares of HK$0.1 each	750,000,000	75,000,000
At 31 March 2014 and 31 March 2015	N/A(Note a)	N/A(Note a)
Issued and fully paid:		
At 1 April 2013		
Ordinary shares of HK$0.1 each	488,842,675	48,884,268
Exercise of share options	4,800,000	480,000
Issue of new shares pursuant to a placing agreement (Note b)	97,768,000	18,575,920
Transfer upon abolition of par value under new Hong Kong Companies Ordinance effective on 3 March 2014	-	240,159,325
At 31 March 2014		
Ordinary shares with no par value	591,410,675	308,099,513
Exercise of share options	3,000,000	696,000
At 31 March 2015	594,410,675	308,795,513

Notes:

(a) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

(b) Pursuant to a placing agreement dated 5 March 2014 entered into between the Company and a placing agent, 97,768,000 new ordinary shares were issued at HK$0.19 each amounting to HK$18,575,920 in aggregate. The proceeds were used to provide additional working capital for the Company. The new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 2 September 2013.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the shareholders of the Company (the "AGM") will be held on 31 August 2015 and the Notice of AGM will be published and despatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining shareholders' entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 27 August 2015 to 31 August 2015, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Standard Limited, the Company's share registrar and transfer office at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 August 2015.

REVIEW OF OPERATIONS AND PROSPECTS

For the financial year ended 31 March 2015, the Group has recorded a total revenue of approximately HK$52 million (2014: approximately HK$39 million), representing an increase of approximately 33% over the previous financial year.

The total revenue of the Cheung Chau Warwick Hotel has remained approximately HK$22 million (2014: approximately HK$22 million) with a contributing segment profit of approximately HK$4.7 million (2014: approximately HK$5.3 million), representing a drop of approximately 11% of segment profit. The revenue from the rooms department has decreased by approximately 2.2% while the revenue from the food & beverage department has increased by approximately 5.1%. However, the food and beverage business on Cheung Chau island has become very competitive. The food & beverage department will continue to maintain quality food and service and reasonable pricing in order to compete with other market players. The Cheung Chau Warwick Hotel will keep on gaining more publicity and expanding its market share through media promotion. The management has been considering the possibility of providing more products and services in order to create more income stream for the coming years.

The total revenue of the serviced property in Beijing, the PRC has increased to approximately HK$29 million (2014: approximately HK$17 million) by approximately HK$12 million, representing an increase of approximately 71% over the previous financial year, with a segment profit of approximately HK$9.1 million (2014: approximately HK$1.3 million). The increase in the revenue of the serviced property letting in Beijing is mainly due to the increase in occupancy rate after full conversion into office premises which will provide a steady rental income to the Group.

The Group has recorded a decrease of approximately HK$46.6 million in fair value of investment properties and an impairment loss of approximately HK$19 million on available-for-sale investments.

In securities investment and trading, the Group has recorded a loss of approximately HK$1.3 million (2014: gain of approximately HK$3.9 million).

The economic slowdown in the PRC and certain political and social dilemma in Hong Kong present a challenging year ahead. The Group will focus on developing more products and services to attract local and foreign guests and review the strategy from time to time to broaden the customer base. Furthermore, the Group will seek further business opportunity that can provide investment potential and broaden the income base of the Group when it arises.

Reference is made to the announcement of the Company dated 17 June 2015. The Company is in discussion for a possible disposal of shares in an investment held by the Company in return, among others, cash and cash equivalents and shares of a company holding certain hotels assets. Further announcement(s) will be made by the Company as and when appropriate.

EMPLOYEES

As at 31 March 2015, the Group had approximately 70 employees (2014: approximately 70). 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.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2015, the Group had bank balances and cash of HK$1,211,943 (2014: HK$20,495,374) and pledged bank deposits of HK$2,118,000 (2014: HK$2,118,000).

At 31 March 2015, there were outstanding bank loans and utilised overdraft facilities of HK$38,716,654 (2014: HK$40,456,149) and unutilised overdraft facilities of approximately HK$4,511,000 (2014: HK$5,660,000) available to the Group.

At 31 March 2015, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2015 amounted to approximately HK$288 million (2014: approximately HK$356 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 31 March 2015 is 13% (2014: 11%).

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

During the year ended 31 March 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Following a specific enquiry made by the Company, the directors have confirmed that they had fully complied with the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 March 2015.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2015, the Company has complied with all the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, 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 is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all directors are subject to retirement by rotation at each annual general meeting 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 provided 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 is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussing auditing, internal controls, and financial reporting matters, including the review of the consolidated financial statements. As at the date of this announcement, the audit committee comprises three independent non-executive directors, namely Mr. Ng Wing Hang Patrick (chairman of the audit committee), Mr. Ip Shing Hing and Mr. Choy Wai Shek Raymond.

The Group's final results for the year ended 31 March 2015 have been reviewed by the audit committee which recommended the same to the Board for approval.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 March 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2015 in due course.

The Company's auditor has reported on the financial statements of the Company and its subsidiaries for the year ended 31 March 2015. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

On behalf of the Board
Far East Hotels and Entertainment Limited
Derek Chiu
Managing Director and Chief Executive

Hong Kong, 29 June 2015

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