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: 00037)

Announcement
Interim Results For The Six Months Ended 30 September 2016

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 2016 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 2016

		Six months ended 30 September	
		2016	2015
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Revenue	3	**25,183,747**	25,730,981
Cost of sales		**(21,584,022)**	(20,126,854)
Gross profit		**3,599,725**	5,604,127
Other gains and losses	5	**3,544,656**	(2,465,941)
Increase (decrease) in fair value of investment properties		**137,848**	(828,417)
Administrative expenses		**(6,739,927)**	(11,833,205)
Finance costs	6	**(480,534)**	(513,098)
Share of results of associates		**268,979**	204,340
Share of results of a joint venture		**(1,303,677)**	(3,678)
Loss before taxation		**(972,930)**	(9,835,872)
Taxation	7	**-**	-
Loss for the period attributable to owners of the Company		**(972,930)**	(9,835,872)

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

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(182,544)**	(1,427,235)
Total comprehensive expense for the period attributable to owners of the Company		**(1,155,474)**	(11,263,107)
		HK Cents	HK Cents
Loss per share	8		
- Basic		**(0.16)**	(1.63)
- Diluted		**(0.16)**	(1.63)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	**30/09/2016 (unaudited)**	31/03/2016 (audited)
		HK$	HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**63,930,425**	67,818,199
Investment properties		**123,158,521**	122,499,779
Interests in associates		**1,029,025**	760,046
Interest in a joint venture		**16,057,764**	17,361,441
Loan to a joint venture	10	**8,447,118**	8,445,940
Promissory notes receivables		**15,250,000**	15,250,000
Paintings		**3,921,217**	3,921,217
		231,794,070	236,056,622
CURRENT ASSETS			
Investment securities		**38,975,589**	16,070,838
Inventories		**484,166**	479,257
Promissory notes receivables		**6,000,000**	6,000,000
Trade receivables	11	**2,212,501**	5,013,088
Other receivables, deposits and prepayments		**1,456,939**	1,734,769
Pledged bank deposits		**2,118,000**	2,118,000
Bank balances and cash		**46,350,986**	68,269,628
		97,598,181	99,685,580
CURRENT LIABILITIES			
Trade and other payables and accruals	12	**4,188,477**	5,830,677
Receipt in advance		**3,109,149**	4,314,145
Deposits received		**427,142**	270,796
Amounts due to directors		**210,000**	-
Amounts due to associates		**603,381**	442,381
Amounts due to related companies		**715,871**	717,236
Amount due to a non-controlling shareholder		**1,219,512**	3,780,151
Bank borrowings - due within one year	13	**17,198,616**	17,165,542
Obligations under a finance lease		**353,991**	133,652
		28,026,139	32,654,580
NET CURRENT ASSETS		**69,572,042**	67,031,000
		301,366,112	303,087,622

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2016

	Notes	**30/09/2016 (unaudited) HK$**	31/03/2016 (audited) HK$
CAPITAL AND RESERVES			
Share capital	14	**310,764,913**	310,764,913
Reserves		**(28,240,151)**	(27,084,677)
		282,524,762	283,680,236
NON-CURRENT LIABILITIES			
Provision for long service payments		**2,053,401**	2,053,401
Obligations under a finance lease		**883,714**	240,882
Bank borrowings - due after one year	13	**15,904,235**	17,113,103
		18,841,350	19,407,386
		301,366,112	303,087,622

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 (the "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 annual financial statements for the year ended 31 March 2016.

The financial information relating to the year ended 31 March 2016 that is included in the half-year Interim Report 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those financial statements. The independent auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 2016, 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 the new and revised HKFRSs that have been issued but are not yet effective.

In July 2014, HKFRS 15 *Revenue from Contracts with Customers* was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the accounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practical to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group's financial performance and the Group's financial position for the future and/or on the disclosures set out in the financial statements of the Group.

3. Segment information

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

1. Hotel operation in Hong Kong
2. Serviced property letting in the People's Republic of China, excluding Hong Kong (the "PRC")
3. Property investment in Hong Kong
4. Property investment overseas
5. 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$	Serviced property letting in the PRC HK$	Property investment in Hong Kong HK$	Property investment overseas HK$	Securities investment and trading HK$	Total HK$
Six months ended 30 September 2016 (unaudited)						
Revenue	**9,492,691**	**14,371,279**	**519,290**	**800,487**	**-**	**25,183,747**
Segment profit (loss)	**459,798**	**2,211,793**	**(1,008,183)**	**770,487**	**3,168,614**	**5,602,509**
Unallocated gains and losses						**376,043**
Unallocated expenses						**(6,739,927)**
Unallocated finance costs						**(480,534)**
Share of results of associates						**268,979**
Loss before taxation						**(972,930)**
Taxation						**-**
Loss for the period						**(972,930)**
Six months ended 30 September 2015 (unaudited)						
Revenue	10,772,748	14,398,993	559,240	-	-	25,730,981
Segment profit (loss)	2,438,238	3,123,599	(789,805)	-	(2,703,411)	2,068,621
Unallocated gains and losses						237,470
Unallocated expenses						(11,833,205)
Unallocated finance costs						(513,098)
Share of results of associates						204,340
Loss before taxation						(9,835,872)
Taxation						-
Loss for the period						(9,835,872)

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September **2016 (unaudited) HK$**	2015 (unaudited) HK$
Hong Kong	**10,011,981**	11,331,988
PRC	**14,371,279**	14,398,993
Overseas	**800,487**	-
	25,183,747	25,730,981

4. Loss before taxation

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$	HK$
Loss before taxation has been arrived at after charging:		
Depreciation	**5,929,002**	6,148,073
Auditor's remuneration	**440,000**	405,000
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	**5,833,938**	6,394,799
Retirement benefits cost	**312,722**	301,613
	6,146,660	6,696,412
Operating lease rentals in respect of rental premises	**3,057,024**	3,104,480
Share of taxation of associates (included in share of results of associates)	**29,182**	40,375
Cost of inventories recognised as an expense	**1,833,255**	1,951,238
and after crediting:		
Net rental income from properties	**12,709,923**	12,736,980

5. Other gains and losses

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$	HK$
Dividend income from listed securities	**353,941**	262,690
Change in fair value of financial assets at fair value through profit or loss	**2,814,672**	(2,966,101)
Gain (loss) on disposal of property, plant & equipment	**56,000**	(7,002)
Bank interest income	**76,407**	2,729
Other interest income	**243,636**	41,752
Sundry income	**-**	199,991
	3,544,656	(2,465,941)

6. Finance costs

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank borrowings		
Wholly repayable within 5 years	**195,107**	205,475
Not wholly repayable within 5 years	**261,773**	293,759
Interest on finance leases	**23,654**	13,864
	480,534	513,098

7. Taxation

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or had 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 had no assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

8. Loss per share

The calculation of basic and diluted loss per share is based on the loss for the period of HK$972,930 (30/09/2015: loss of HK$9,835,872) and the number of shares as calculated below:

	Six months ended 30 September	
	2016	2015
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**602,110,675**	602,110,675

The computation of the diluted loss per share for both periods does not assume the exercise of the Company's share options because this would result in a decrease in the loss per share.

9. Dividends

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2016 (30/09/2015: Nil).

10. Loan to a joint venture

The loan to the joint venture is unsecured and 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.

11. Trade receivables

Included in trade receivables were trade debtors of HK$2,212,501 (31/03/2016: HK$5,013,088), 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:

	30/09/2016 (unaudited) HK$	31/03/2016 (audited) HK$
0 - 30 days	**614,136**	579,459
31 - 60 days	**791,394**	3,984,347
Over 60 days	**806,971**	449,282
	2,212,501	5,013,088

12. Trade and other payables and accruals

Included in trade and other payables and accruals were trade creditors of HK$964,940 (31/03/2016: HK$1,914,211).

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

	30/09/2016 (unaudited) HK$	31/03/2016 (audited) HK$
0 - 30 days	**341,252**	281,293
31 - 60 days	**277,202**	283,029
Over 60 days	**346,486**	1,349,889
	964,940	1,914,211

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

13. Bank borrowings

	30/09/2016 (unaudited) HK$	31/03/2016 (audited) HK$
Bank borrowings are secured and repayable as follows:		
Within one year	**2,405,016**	2,371,942
More than one year, but not exceeding five years	**10,308,959**	10,167,194
More than five years	**5,595,276**	6,945,909
	18,309,251	19,485,045
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)		
- repayable after more than one year but not exceeding two years	**14,793,600**	14,793,600
	33,102,851	34,278,645
Less: Amount due within one year shown under current liabilities	**(17,198,616)**	(17,165,542)
Amount due after one year	**15,904,235**	17,113,103

14. Share capital

	Number of Shares	HK$
Issued and fully paid:		
At 1 April 2015	594,410,675	308,795,513
Exercise of share options	7,700,000	1,969,400
At 31 March and 30 September 2016	602,110,675	310,764,913

15. Operating lease

The Group as lessee:

At 30 September 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	30/09/2016	31/03/2016
	(unaudited)	(audited)
	HK$	HK$
Within one year	**6,114,049**	6,386,604
In the second to fifth years inclusive	**19,718,195**	21,188,013
Over five years	**14,634,146**	17,640,706
	40,466,390	45,215,323

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 2016, the Group had contracted with tenants for the following future minimum lease payments:

	30/09/2016	31/03/2016
	(unaudited)	(audited)
	HK$	HK$
Within one year	**7,607,126**	21,143,430
In the second to fifth years inclusive	**13,198,065**	21,972,383
	20,805,191	43,115,813

The properties have committed tenants for a term of two to four years (31/03/2016: two to four years).

16. Event after the end of the reporting period

On 24 October 2016, the Company and Mr. Derek Chiu, an executive director who is also the managing director and chief executive of the Company (the "Vendor") entered into a purchase and sale agreement (the "Acquisition Agreement"), pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 50 shares in the issued share capital of Sino Noble Development Limited (the "Sale Shares" and the "Target Company" respectively) and the advance, loan(s) and finance made to the Target Company by the Vendor (the "Sale Loans") at an aggregate consideration of HK$22,815,000 (the "Acquisition").

The Sale Shares represent 50% of the total issued shares of the Target Company and the entire interest held by the Vendor in the Target Company. The Sale Loans represent the entire sum due from the Target Company to the Vendor as at the completion date. The sole assets of the Target Company are 40 parcels of agricultural lots located in Yuen Long, New Territories, Hong Kong with a total site area of approximately 149,846 square feet.

Immediately before completion of the Acquisition, the Target Company is a jointly controlled entity owned as to 50% by the Company and 50% by the Vendor. Upon completion, the Target Company will become a directly wholly-owned subsidiary of the Company.

At the extraordinary general meeting of the Company held on 28 November 2016, the independent shareholders passed an ordinary resolution approving the Acquisition Agreement and the transaction contemplated thereunder.

Details of this transaction are disclosed in the Company's announcements dated 24 October 2016 and 28 November 2016 and the Company's circular dated 10 November 2016 respectively.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2016 (2015: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2016, the Group recorded a total revenue of approximately HK$25.2 million (2015: HK$25.7 million) and a gross profit of approximately HK$3.6 million (2015: HK$5.6 million), representing decreases of approximately 2.1% and 35.8 % respectively. Loss for the period attributable to owners of the Company amounted to approximately HK$0.97 million (2015: loss of HK$9.84 million).

For the period under review, the Cheung Chau Warwick Hotel recorded a total revenue of approximately HK$9.5 million (2015: HK$10.8 million) with contributing profit of approximately HK$460,000 (2015: HK$2.4 million). The guest rooms department and the food and beverage department recorded a decrease in revenue of approximately 13% and 9% respectively.

The serviced property letting business in Beijing recorded a revenue of approximately HK$14.37 million (2015: HK$14.4 million) and a profit of approximately HK$2.21 million (2015: HK$3.12 million), representing a decrease of approximately 0.2% and 29.2% respectively. Despite the economic slowdown in the mainland China, the rental revenue of the serviced property remained stable. However, the increase in operating costs curtailed the performance of the serviced property letting business in Beijing.

For securities investment and trading, the Group recorded a profit of approximately HK$3.2 million (2015: loss of approximately HK$2.7 million), which included an increase of approximately HK$2.8 million (2015: a decrease of approximately HK$3 million) in fair value of investment securities. In view of the low interest environment in Hong Kong, the Group put more resources in investment securities in a prudent manner with a view to gaining short-term investment returns for the period under review.

On 24 October 2016, the Company and Mr. Derek Chiu, an executive director who is also the managing director and chief executive of the Company (the "Vendor") entered into a purchase and sale agreement (the "Acquisition Agreement"), pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 50 shares in the issued share capital of Sino Noble Development Limited (the "Sale Shares" and the "Target Company" respectively) and the advance, loan(s) and finance made to the Target Company by the Vendor (the "Sale Loans") at an aggregate consideration of HK$22,815,000 (the "Acquisition").

The Sale Shares represent 50% of the total issued shares of the Target Company and the entire interest held by the Vendor in the Target Company. The Sale Loans represent the entire sum due from the Target Company to the Vendor as at the completion date. The sole assets of the Target Company are 40 parcels of agricultural lots located in Yuen Long, New Territories, Hong Kong with a total site area of approximately 149,846 square feet.

Immediately before completion of the Acquisition, the Target Company is a jointly controlled entity owned as to 50% by the Company and 50% by the Vendor. Upon completion, the Target Company will become a directly wholly-owned subsidiary of the Company.

At the extraordinary general meeting of the Company held on 28 November 2016, the independent shareholders passed an ordinary resolution approving the Acquisition Agreement and the transaction contemplated thereunder.

Details of this transaction are disclosed in the Company's announcements dated 24 October 2016 and 28 November 2016 and the Company's circular dated 10 November 2016 respectively.

The market conditions are expected to remain challenging in the near future. The management will closely monitor and actively react to any changes as they arise. The Group will also from time to time seek business opportunities that can provide investment potential and broaden the income base of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2016, the Group had bank balances and cash of HK$46,350,986 (31/03/2016: HK$68,269,628) and pledged bank deposits of HK$2,118,000 (31/03/2016: HK$2,118,000).

At 30 September 2016, there were outstanding bank loans and utilised overdraft facilities of HK$33,102,851 (31/03/2016: HK$34,278,645) and unutilised overdraft facilities of HK$6,000,000 (31/03/2016: HK$6,000,000) available to the Group.

At 30 September 2016, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2016 amounted to approximately HK$282.5 million (31/03/2016: approximately HK$283.7 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2016 was 12% (31/03/2016: 12%).

CONTINGENT LIABILITIES

At 30 September 2016, the Company had issued financial guarantees of HK$18,000,000 (31/03/2016: HK$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$14,793,600 (31/03/2016: HK$14,793,600) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

At 30 September 2016, the Group had no significant capital commitments (31/03/2016: Nil).

EMPLOYEES

At 30 September 2016, the Group had approximately 70 employees (31/03/2016: 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. The Company adopted a new share option scheme on 2 September 2016 as an incentive to the directors and eligible participants defined thereunder.

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

During the six months ended 30 September 2016, 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 2016, 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 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 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. There has been no chairman of the Board since 17 March 2015. However, one of the executive directors of the Company present at the annual general meeting held on 2 September 2016 was elected chairman thereof to ensure an effective communication with the shareholders thereat.

AUDIT COMMITTEE

The audit committee of the Company comprises all of the three independent non-executive directors, namely Mr. Ng Wing Hang Patrick (Chairman), 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 consolidated financial statements and the draft interim report of the Company for the six months ended 30 September 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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") 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 and the Company's code of conduct regarding directors' securities transactions throughout the six months ended 30 September 2016.

By Order of the Board
Far East Hotels and Entertainment Limited

Derek Chiu
Managing Director and Chief Executive

Hong Kong, 30 November 2016

As at the date of this announcement, the executive directors are Mr. Derek Chiu (Managing Director and Chief Executive), Ms. Margaret Chiu, Mr. Alex Chiu and Ms. Amanda 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.