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
Final Results For The Year Ended 31 March 2018

RESULTS

The board (the "Board") of directors (the "Directors") 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 2018 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 2018

	Notes	**2018**	2017
		HK$	*HK$*
Revenue	2	**52,580,269**	46,676,591
Cost of sales		**(42,377,627)**	(38,322,003)
Gross profit		**10,202,642**	8,354,588
Other income		**1,020,502**	1,104,204
Other gains or losses	3	**12,039,618**	3,356,686
Net increase in fair values of investment properties		**7,388,750**	1,200,510
Administrative expenses		**(20,276,715)**	(16,391,223)
Finance costs	4	**(804,299)**	(957,838)
Share of results of associates		**488,255**	461,594
Share of result of a joint venture		**—**	(1,903,678)
Profit (loss) before tax	5	**10,058,753**	(4,775,157)
Income tax expense	6	**(2,622,855)**	—
Profit (loss) for the year attributable to owners of the Company		**7,435,898**	(4,775,157)
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,420,614**	(1,145,448)
Total comprehensive income (expense) for the year attributable to owners of the Company		**10,856,512**	(5,920,605)
		Cents	*Cent*
EARNINGS (LOSS) PER SHARE	7		
Basic		**1.22**	(0.79)
Diluted		**1.22**	(0.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$	2017 HK$
Non-current assets			
Property, plant and equipment		**65,032,278**	61,849,304
Investment properties		**180,282,614**	171,699,285
Interests in associates		**459,895**	1,221,640
Promissory notes receivables		**3,250,000**	9,250,000
Paintings		**3,921,217**	3,921,217
Available-for-sale investment		**—**	—
		252,946,004	247,941,446
Current assets			
Held-for-trading investments		**47,212,282**	39,441,106
Inventories		**449,742**	454,405
Promissory notes receivables		**12,000,000**	12,000,000
Trade receivables	8	**10,333,621**	4,353,534
Other receivables, deposits and prepayment		**1,233,014**	1,720,799
Pledged bank deposits		**2,118,000**	2,118,000
Deposit held with a security broker company		**2,766,263**	—
Bank balances and cash		**11,113,032**	18,548,469
		87,225,954	78,636,313
Current liabilities			
Trade and other payables and accruals	9	**10,250,120**	9,411,059
Deposits received		**206,396**	357,084
Amount due to an associate		**287,381**	752,381
Amounts due to related companies		**695,076**	713,031
Amount due to a non-controlling shareholder		**—**	1,182,699
Bank borrowings		**17,145,934**	17,231,614
Obligations under finance leases		**326,257**	361,501
Tax payable		**1,417,676**	—
		30,328,840	30,009,369
Net current assets		**56,897,114**	48,626,944
Total assets less current liabilities		**309,843,118**	296,568,390

	Notes	**2018** *HK$*	2017 *HK$*
Capital and reserves			
Share capital	10	**312,144,213**	312,144,213
Reserves		**(18,315,414)**	(33,005,282)
		293,828,799	279,138,931
Non-current liabilities			
Deferred taxation		**1,205,179**	—
Provision for long service payments		**2,053,401**	2,053,401
Obligations under finance leases		**374,737**	700,994
Bank borrowings		**12,381,002**	14,675,064
		16,014,319	17,429,459
		309,843,118	296,568,390

NOTES

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. Apart from the additional disclosure, the application of these amendments has had no material impact on the Group's consolidated financial statements.

New and revised HKFRSs and Interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.

2. REVENUE AND SEGMENT INFORMATION

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Hotel operation in Hong Kong *HK$*	Serviced property letting in the Mainland China *HK$*	Property investment in Hong Kong *HK$*	Property investment overseas *HK$*	Securities investment and trading *HK$*	Total *HK$*
2018						
Revenue	**21,375,106**	**28,946,952**	**654,094**	**1,604,117**	**—**	**52,580,269**
Segment profit (loss)	**2,824,495**	**8,411,891**	**10,990,150**	**(4,635,145)**	**12,834,970**	**30,426,361**
Unallocated gains and losses						**225,150**
Unallocated expenses						**(20,276,714)**
Unallocated finance costs						**(804,299)**
Share of results of associates						**488,255**
Profit before tax						**10,058,753**
Income tax expense						**(2,622,855)**
Profit for the year						**7,435,898**

	Hotel operation in Hong Kong	Serviced property letting in the Mainland China	Property investment in Hong Kong	Property investment overseas	Securities investment and trading	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2017						
Revenue	17,832,804	26,111,019	760,276	1,972,492	—	46,676,591
Segment profit	481,697	6,495,904	453,770	215,363	4,026,342	11,673,076
Unallocated gains and losses						439,234
Unallocated expenses						(16,391,223)
Unallocated finance costs						(957,838)
Share of results of associates						461,594
Loss before tax						(4,775,157)
Income tax expense						—
Loss for the year						(4,775,157)

Geographical information

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**22,029,200**	18,593,080	**184,659,041**	179,038,194
The Mainland China	**28,946,952**	26,111,019	**32,699,351**	29,119,912
Overseas	**1,604,117**	1,972,492	**35,587,612**	39,783,340
	52,580,269	46,676,591	**252,946,004**	247,941,446

3. OTHER GAINS OR LOSSES

	2018	2017
	HK$	*HK$*
Increase in fair values of held-for-trading investments	**12,039,618**	3,305,372
Gain on disposal of property, plant and equipment	**—**	51,314
	12,039,618	3,356,686

4. FINANCE COSTS

	2018	2017
	HK$	*HK$*
Interests on borrowings and overdrafts	**771,042**	911,897
Interest on finance leases	**33,257**	45,941
	804,299	957,838

5. PROFIT (LOSS) BEFORE TAX

	2018	2017
	HK$	*HK$*
Profit (loss) before tax has been arrived at after charging:		
Auditor's remuneration		
— audit service	**1,075,000**	975,000
— non-audit services	**49,000**	1,249,000
Cost of inventories recognised as an expense	**5,047,378**	4,312,305
Depreciation of property, plant and equipment	**8,505,152**	7,475,176
Operating lease rentals in respect of rented premises	**6,492,579**	6,082,737
Staff costs:		
Directors' remuneration	**6,052,393**	2,108,861
Other staff:		
— Salaries and other allowances	**11,543,841**	10,381,672
— Retirement benefit schemes contributions	**651,777**	588,477
	18,248,011	13,079,010
and crediting:		
Interest income (included in other income)		
— Bank deposits	**10,412**	82,557
— Promissory notes receivables	**209,427**	300,677
	219,839	383,234
Dividend income from held-for-trading investments (included in other income)	**794,502**	421,378
Imputed interest income from loan to a joint venture (included in other income)	**—**	159,804
Net rental income from properties	**24,151,783**	23,198,006

6. 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 People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the Mainland China subsidiary is 25% for both years.

Fiji corporate income tax is calculated in accordance with Income Tax Act at a rate of 20%.

7. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the profit for the year of HK$7,435,898 (2017: loss for the year of HK$4,775,157) and the number of shares as calculated below.

	2018	2017
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**607,710,675**	603,230,675

For the year ended 31 March 2018, the computation of diluted earnings per share for the year does not assume the exercise of the Company's share options, because the exercise price of those options was higher than the average market price for shares for the year.

For the year ended 31 March 2017, the computation of diluted loss per share for the year did not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

8. TRADE RECEIVABLES

Trade debtors mainly comprise of receivable from renting of properties and hotel operation. Rentals are payable on presentation of demand notes. No credit is allowed to these customers. 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 trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period which approximate the respective date of rendering of services.

	2018	2017
	HK$	*HK$*
0–30 days	**9,029,384**	2,379,990
31–60 days	**123,631**	29,487
Over 60 days	**1,180,606**	1,944,057
	10,333,621	4,353,534

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

Movement in the allowance for doubtful debts

	2018	2017
	HK$	*HK$*
Balance at beginning of the year	**234,449**	249,783
Exchange adjustment	**25,309**	(15,334)
Amounts written off as uncollectible	**(259,758)**	—
Balance at end of the year	**—**	234,449

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the debtors from the date credit was initially granted up to the reporting date. There is no concentration of credit risk due to the major customer base being large. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance already made. The Group does not hold any collateral over these balances.

At 31 March 2017, included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of HK$234,449 which are in severe financial difficulties and therefore the directors of the Company considered that they are irrecoverable.

Trade receivable due from the related party

Included in the Group's trade receivables is an amount due from the Group's related company of HK$1,416,613 (2017: HK$2,251,006). The amounts outstanding are unsecured and amounting to HK$1,015,818 (2017: HK$1,938,009) are past due but not impaired at the end of the reporting period. No impairment has been recognised in the period for doubtful debts in respect of the amount outstanding from the related company. The related company is controlled by a director of the Company.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$	*HK$*
Trade payables	**913,774**	794,502
Other payables and accruals	**4,510,742**	4,257,556
Receipt in advance	**4,825,604**	4,359,001
	10,250,120	9,411,059

Included in trade and other payables and accruals are trade payables of HK$913,774 (2017: HK$794,502). The following is an aged analysis of the trade payables based on invoice date:

	2018	2017
	HK$	*HK$*
0–30 days	**339,616**	276,317
31–60 days	**343,944**	186,473
Over 60 days	**230,214**	331,712
	913,774	794,502

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

10. SHARE CAPITAL

	Number of shares	***HK$***
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2016	602,110,675	310,764,913
Exercise of share options	5,600,000	1,379,300
At 31 March 2017 and 2018	**607,710,675**	**312,144,213**

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the shareholders of the Company (the "Shareholders" and the "AGM", respectively) will be held on 10 September 2018 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 5 September 2018 to 10 September 2018, both days inclusive. During this period, no transfer of shares of the Company (the "Shares") will be registered. In order to be eligible to attend and vote at the AGM, non-registered Shareholders must lodge all transfer documents accompanied by the relevant share certificates with Tricor Standard Limited, the Company's share registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 4 September 2018.

REVIEW OF OPERATIONS AND PROSPECTS

For the financial year ended 31 March 2018, the Group recorded a total revenue of approximately HK$52.6 million (2017: HK$46.7 million) and gross profit of approximately HK$10.2 million (2017: HK$8.4 million), representing an increase in total revenue of approximately 12.6% and an increase in gross profit of approximately of 21.4% respectively. Profit for the year attributable to the owners of the Company amounted to approximately HK$7.4 million (2017: Loss of HK$4.8 million).

For the year under review, the total revenue of the Cheung Chau Warwick Hotel recorded approximately HK$21.4 million (2017: HK$17.8 million) with a profit contribution of approximately HK$2.8 million (2017: HK$0.5 million). The rooms department and the food and beverage department recorded increases in revenue of approximately 22.7% and 16.2% respectively. The Cheung Chau Warwick Hotel continued to deploy more resources in broadening its customer base through online sales and promotion.

For the year under review, the Group's serviced property in Beijing, the PRC recorded a total revenue of approximately HK$28.9 million (2017: HK$26.1 million) with a profit contribution of approximately HK$8.4 million (2017: HK$6.5 million).

For securities investment and trading, the Group recorded a profit of approximately HK$12.8 million (2017: approximately HK$4.0 million), which included an increase of approximately HK$12.0 million (2017: HK$3.3 million) in fair value of held-for-trading investment.

The Group recorded a net increase of approximately HK$7.4 million (2017: HK$1.2 million) in fair values of investment properties.

The Group will continue to explore business opportunities that can provide investment potential and broaden the income base of the Group in the long term.

EMPLOYEES

As at 31 March 2018, the Group had approximately 70 employees (2017: 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 2018, the Group had bank balances and cash of HK$11,113,032 (2017: HK$18,548,469) and pledged bank deposits of HK$2,118,000 (2017: HK$2,118,000).

At 31 March 2018, there were outstanding bank loans and utilised overdraft facilities of HK$29,526,936 (2017: HK$31,906,678) and unutilised overdraft facilities of HK$6,000,000 (2017: HK$6,000,000) available to the Group. All of bank loans were denominated in Hong Kong dollars.

At 31 March 2018, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2018 amounted to approximately HK$293.8 million (2017: HK$279.1 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 31 March 2018 was approximately 10.0% (2017: 11.4%).

CONTINGENT LIABILITIES

At 31 March 2018, the Company had issued financial guarantees of HK$15,000,000 (2017: HK$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$14,645,664 (2017: HK$14,793,600) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

At 31 March 2018, the Group had capital commitments of approximately HK$449,000 (2017: HK$87,500).

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

During the year ended 31 March 2018, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

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 with each Director, the Directors have confirmed that they had fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 March 2018.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2018, 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.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

    The role of chairman is responsible for formulating and setting the Group's strategies and policies in conjunction with the Board.

    The role of chief executive is responsible for managing the Group's strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions, and financing.

    The post of the chairman of the Board (the "Chairman") has left vacant since 17 March 2015. Mr. Derek Chiu, an executive Director, assumes the roles and responsibilities of both the Chairman and the Managing Director and Chief Executive. The Board considers that the current structure of vesting the roles of the Chairman and the Managing Director and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company.

(b) 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.

AUDIT COMMITTEE

The audit committee of the Board 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 2018 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 2018 and 2017 included in this preliminary announcement of annual results 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 March 2018 in due course.

The Company's independent auditor has reported on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2018. The independent auditor's reports were unqualified; did not include a reference to any matters to which the independent 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 Hong Kong Companies Ordinance.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this 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.

By order of the Board
Far East Hotels and Entertainment Limited
Derek Chiu
Executive Director, Managing Director and Chief Executive

Hong Kong, 28 June 2018

As at the date of this announcement, the executive Directors are Mr. Derek Chiu, Ms. Margaret Chiu, Mr. Alex Chiu and Ms. Amanda Chiu; the non-executive Directors are Madam 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.