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 2018

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 2018 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 2018

		Six months ended 30 September	
		2018	2017
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Revenue	3	**26,252,932**	24,499,138
Cost of sales		**(17,819,357)**	(21,648,244)
Gross profit		**8,433,575**	2,850,894
Other gains and losses	5	**(8,533,437)**	9,402,310
Increase in fair value of investment properties		**3,615,850**	4,077,380
Administrative expenses		**(8,932,886)**	(7,895,695)
Finance costs	6	**(405,543)**	(425,043)
Share of results of associates		**289,065**	251,413
(Loss) profit before taxation	4	**(5,533,376)**	8,261,259
Taxation	7	**(338,772)**	-
(Loss) profit for the period attributable to owners of the Company		**(5,872,148)**	8,261,259

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

For the six months ended 30 September 2018

	Note	Six months ended 30 September **2018** **(unaudited)** **HK$**	2017 (unaudited) HK$
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,218,419)**	2,221,835
Total comprehensive (expense) income for the period attributable to owners of the Company		**(10,090,567)**	10,483,094
		HK Cents	HK Cents
(Loss) earnings per share	8		
- Basic		**(0.97)**	1.36
- Diluted		**(0.97)**	1.35

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**30/09/2018 (unaudited)**	31/03/2018 (audited)
		HK$	HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**62,602,510**	65,032,278
Investment properties		**182,293,368**	180,282,614
Interests in associates		**748,960**	459,895
Promissory notes receivables		-	3,250,000
Paintings		**3,921,217**	3,921,217
		249,566,055	252,946,004
CURRENT ASSETS			
Investment securities		**41,893,626**	47,212,282
Inventories		**479,320**	449,742
Promissory notes receivables		**9,250,000**	12,000,000
Trade receivables	10	**9,271,800**	10,333,621
Other receivables, deposits and prepayments		**2,336,092**	1,233,014
Pledged bank deposits		**2,118,000**	2,118,000
Deposit held with a securties broker company		**448,059**	2,766,263
Bank balances and cash		**12,992,095**	11,113,032
		78,788,992	87,225,954
CURRENT LIABILITIES			
Trade and other payables and accruals	11	**8,838,448**	10,250,120
Deposits received		**215,899**	206,396
Amounts due to directors		**385,000**	-
Amounts due to associates		**469,381**	287,381
Amounts due to related companies		**682,461**	695,076
Bank borrowings - due within one year	12	**17,033,123**	17,145,934
Obligations under a finance lease		**255,899**	326,257
Tax payable		**1,373,521**	1,417,676
		29,253,732	30,328,840
NET CURRENT ASSETS		**49,535,260**	56,897,114
		299,101,315	309,843,118

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2018

	Notes	**30/09/2018 (unaudited)**	31/03/2018 (audited)
		HK$	HK$
CAPITAL AND RESERVES			
Share capital	13	**312,890,213**	312,144,213
Reserves		**(28,405,981)**	(18,315,414)
		284,484,232	293,828,799
NON-CURRENT LIABILITIES			
Deferred taxation		**1,200,426**	1,205,179
Provision for long service payments		**2,053,401**	2,053,401
Obligations under a finance lease		**258,461**	374,737
Bank borrowings - due after one year	12	**11,104,795**	12,381,002
		14,617,083	16,014,319
		299,101,315	309,843,118

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 2018.

The financial information relating to the year ended 31 March 2018 that is included in the half-year Interim Report 2018 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 2018 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 independent 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 "HKFRSs")

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 2018, 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.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"

Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated interim financial statements of the Group.

The Group applied HKFRS 9 and HKFRS 15 for the first time. The adoption of HKFRS 9 and HKFRS 15 has no material impact on the unaudited condensed consolidated interim financial statements of the Group. The comparative information was not restated and continues to be reported under HKAS 39, HKAS 11, HKAS 18 and related interpretations.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may results in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's financial statements.

3. Revenue and 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 2018 (unaudited)						
Revenue	**10,878,775**	**14,295,019**	**292,680**	**786,458**	**-**	**26,252,932**
Segment profit (loss)	**2,013,448**	**5,730,935**	**3,629,788**	**675,254**	**(8,614,659)**	**3,434,766**
Unallocated gains and losses						**81,222**
Unallocated expenses						**(8,932,886)**
Unallocated finance costs						**(405,543)**
Share of results of associates						**289,065**
Loss before taxation						**(5,533,376)**
Taxation						**(338,772)**
Loss for the period						**(5,872,148)**
Six months ended 30 September 2017 (unaudited)						
Revenue	10,389,215	12,912,865	393,288	803,770	-	24,499,138
Segment profit	653,815	2,656,228	3,054,930	563,301	9,281,642	16,209,916
Unallocated gains and losses						120,668
Unallocated expenses						(7,895,695)
Unallocated finance costs						(425,043)
Share of results of associates						251,413
Profit before taxation						8,261,259
Taxation						-
Profit for the period						8,261,259

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September **2018 (unaudited) HK$**	2017 (unaudited) HK$
Hong Kong	**11,171,455**	10,782,503
PRC	**14,295,019**	12,912,865
Overseas	**786,458**	803,770
	26,252,932	24,499,138

4. (Loss) profit before taxation

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$	HK$
(Loss) profit before taxation has been arrived at after charging:		
Depreciation	**4,180,639**	4,130,179
Auditor's remuneration	**500,000**	475,000
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	**6,314,927**	6,050,833
Retirement benefits cost	**318,758**	316,765
	6,633,685	6,367,598
Operating lease rentals in respect of rented premises	**3,644,805**	3,089,461
Share of taxation of associates (included in share of results of associates)	**21,136**	25,699
Cost of inventories recognised as an expense	**1,994,182**	2,764,665
and after crediting:		
Net rental income from properties	**11,957,359**	10,451,599

5. Other gains and losses

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$	HK$
Dividend income from listed securities	**555,101**	751,062
Change in fair value of financial assets at fair value through profit or loss	**(9,169,868)**	8,530,580
Bank interest income	**10,691**	3,961
Other interest income	**70,639**	116,707
	(8,533,437)	9,402,310

6. Finance costs

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank borrowings		
Wholly repayable within five years	**199,731**	177,637
Not wholly repayable within five years	**195,109**	228,876
Interest on finance leases	**10,703**	18,530
	405,543	425,043

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.

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 Mainland China subsidiary is 25% for both periods.

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

8. (Loss) earnings per share

The calculation of basic and diluted (loss) earnings per share is based on the loss attributable to owners of the Company for the six months ended 30 September 2018 of HK$5,872,148 (2017: profit of HK$8,261,259) and the number of shares as calculated below:

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**608,343,552**	607,710,675

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

9. Dividend

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2018 (2017: Nil).

10. Trade receivables

Included in trade receivables were trade debtors of HK$9,271,800 (31/03/2018: HK$10,333,621), 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:

	30/09/2018 (unaudited) HK$	31/03/2018 (audited) HK$
0 - 30 days	**3,156,137**	9,029,384
31 - 60 days	**2,207,744**	123,631
Over 60 days	**3,907,919**	1,180,606
	9,271,800	10,333,621

11. Trade and other payables and accruals

	30/09/2018 (unaudited) HK$	31/03/2018 (audited) HK$
Trade payables	**706,520**	913,774
Other payables and accruals	**3,713,364**	4,510,742
Receipt in advance	**4,418,564**	4,825,604
	8,838,448	10,250,120

Included in trade and other payables and accruals were trade creditors of HK$706,520 (31/03/2018: HK$913,774).

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

	30/09/2018 (unaudited) HK$	31/03/2018 (audited) HK$
0 - 30 days	**315,060**	339,616
31 - 60 days	**228,359**	343,944
Over 60 days	**163,101**	230,214
	706,520	913,774

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

12. Bank borrowings

	30/09/2018	31/03/2018
	(unaudited)	(audited)
	HK$	HK$
Bank borrowings are secured and repayable as follows:		
Within one year	**2,535,395**	2,500,270
More than one year, but not exceeding five years	**8,268,650**	10,717,157
More than five years	**2,836,145**	1,663,845
	13,640,190	14,881,272
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	**14,497,728**	14,645,664
	28,137,918	29,526,936
Less: Amount due within one year shown under current liabilities	**(17,033,123)**	(17,145,934)
Amount due after one year	**11,104,795**	12,381,002

13. Share capital

	Number of Shares	**HK$**
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2017 and 2018	607,710,675	312,144,213
Exercise of share options	3,000,000	746,000
At 30 September 2018	**610,710,675**	**312,890,213**

14. Operating lease

The Group as lessee:

At 30 September 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	30/09/2018 (unaudited) HK$	31/03/2018 (audited) HK$
Within one year	**6,071,416**	6,585,893
In the second to fifth years inclusive	**19,391,277**	21,846,897
Over five years	**4,787,416**	7,862,224
	30,250,109	36,295,014

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 2018, the Group had contracted with tenants for the following future minimum lease payments:

	30/09/2018 (unaudited) HK$	31/03/2018 (audited) HK$
Within one year	**28,564,051**	33,013,963
In the second to fifth years inclusive	**64,499,909**	86,827,926
	93,063,960	119,841,889

The properties have committed tenants for a term of five years (31/03/2018: one 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 2018 (2017: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2018, the Group recorded a total revenue of approximately HK$26.3 million (2017: HK$24.5 million) and a gross profit of approximately HK$8.43 million (2017: HK$2.85 million). Loss for the period attributable to owners of the Company amounted to approximately HK$5.87 million (2017: profit of HK$8.26 million).

For the period under review, the Cheung Chau Warwick Hotel recorded a total revenue of approximately HK$10.9 million (2017: HK$10.4 million) with contributing profit of approximately HK$2 million (2017: HK$654,000). The guest rooms department recorded an increase in revenue of approximately 14.9%. The food and beverage department recorded a decrease in revenue of approximately 9.8%. The Cheung Chau Warwick Hotel continued to deploy more resources in broadening its customer base through online sales and promotion.

The serviced property letting business in Beijing recorded a revenue of approximately HK$14.30 million (2017: HK$12.91 million) and a profit of approximately HK$5.73 million (2017: HK$2.66 million). The serviced property is now fully let. The existing leases will continue to contribute a stable rental income stream to the Group in the coming years.

For securities investment, the Group recorded a loss of approximately HK$8.6 million (2017: profit of HK$9.3 million), which included a decrease of approximately HK$9.2 million (2017: an increase of HK$8.5 million) in fair value of investment securities. The Group will continue to monitor the investment portfolio and balance investment risks from time to time to cope with the economic environment.

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 2018, the Group had bank balances and cash of HK$12,992,095 (31/03/2018: HK$11,113,032) and pledged bank deposits of HK$2,118,000 (31/03/2018: HK$2,118,000), which were mainly denominated in Hong Kong dollars and Reminbi.

At 30 September 2018, there were outstanding bank loans and utilised overdraft facilities of HK$28,137,918 (31/03/2018: HK$29,526,936) and unutilised overdraft facilities of HK$2,000,000 (31/03/2018: HK$6,000,000) available to the Group. All outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with interest at prevailing market rates.

At 30 September 2018, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives (31/03/2018: Nil).

Shareholders' funds at 30 September 2018 amounted to approximately HK$284.5 million (31/03/2018: HK$293.8 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2018 was 9.9% (31/03/2018: 10.0%).

CONTINGENT LIABILITIES

At 30 September 2018, the Company had issued financial guarantees of HK$15,000,000 (31/03/2018: HK$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$14,497,728 (31/03/2018: HK$14,645,664) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

At 30 September 2018, the Group had no significant capital commitments (31/03/2018: HK$449,000).

EMPLOYEES

At 30 September 2018, the Group had approximately 70 employees (31/03/2018: 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 of the Company and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

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

During the six months ended 30 September 2018, 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 2018, 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 chairman should be responsible for formulating and setting the Group's strategies and policies in conjunction with the Board.

    The chief executive should be 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 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.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board comprises all of the three independent non-executive directors of the Company, namely Mr. Ng Wing Hang Patrick (chairman of the audit committee), 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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Listing Rules. Following specific enquiries made on them by the Company, all directors of the Company confirmed that they had fully complied with the required standard as set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the six months ended 30 September 2018.

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

Hong Kong, 29 November 2018

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