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 2020

RESULTS

The board of directors (the "Directors" and the "Board", respectively) 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 2020 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 2020

	NOTES	**2020**	2019
		HK$	HK$
Revenue	2	**48,935,816**	52,379,154
Cost of sales		**(23,150,113)**	(38,881,989)
Gross profit		**25,785,703**	13,497,165
Other income		**965,419**	873,361
Other gains or losses	3	**(3,770,433)**	(8,206,871)
Net (decrease) increase in fair values of investment properties		**(32,175,408)**	9,345,438
Selling expenses		**(1,455,491)**	(1,145,013)
Administrative expenses		**(17,268,705)**	(19,890,434)
Finance costs	4	**(1,867,520)**	(813,191)
Share of results of associates		**551,862**	596,072
Loss before tax	7	**(29,234,573)**	(5,743,473)
Income tax credit (expense)	5	**5,190,399**	(3,851,997)
Loss for the year attributable to owners of the Company		**(24,044,174)**	(9,595,470)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Fair value gain on equity instrument at fair value through other comprehensive income ("FVTOCI")		**21,422**	-
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,651,921)**	(3,457,890)
Total comprehensive expense for the year attributable to owners of the Company		**(31,674,673)**	(13,053,360)
LOSS PER SHARE	6		
Basic		**(3.94) cents**	(1.57) cents
Diluted		**(3.94) cents**	(1.57) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	NOTES	2020 HK$	2019 HK$
Non-current assets			
Property, plant and equipment		**30,665,995**	61,973,925
Right-of-use assets		**1,978,826**	-
Deposits for capital expenditure		**3,895,232**	700,655
Investment properties		**263,678,656**	188,235,225
Interests in associates		**857,829**	1,055,967
Equity instrument at FVTOCI		**-**	-
Paintings		**4,367,221**	3,921,217
		305,443,759	255,886,989
Current assets			
Financial assets at fair value through profit or loss (“ FVTPL”)		**23,590,760**	38,460,864
Inventories		**309,381**	314,842
Promissory notes receivables		**-**	8,085,000
Trade receivables	8	**8,183,982**	1,109,100
Other receivables, deposits and prepayment		**1,266,666**	1,628,289
Pledged bank deposits		**2,118,000**	2,118,000
Bank deposits		**5,474,053**	6,994,637
Deposit held with a security broker company		**5,564,000**	2,253,429
Bank balances and cash		**9,475,449**	14,139,430
		55,982,291	75,103,591
Current liabilities			
Trade and other payables and accruals	9	**5,771,862**	11,491,311
Contract liabilities		**300,782**	304,727
Deposits received		**95,628**	80,000
Amount due to an associate		**293,381**	678,381
Amounts due to related companies		**675,731**	679,121
Bank borrowings		**16,699,810**	16,911,478
Obligations under finance leases		**-**	293,673
Lease liabilities		**5,900,183**	-
Tax payable		**2,152,333**	1,993,168
		31,889,710	32,431,859
Net current assets		**24,092,581**	42,671,732
Total assets less current liabilities		**329,536,340**	298,558,721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 MARCH 2020

	NOTES	2020 HK$	2019 HK$
Capital and reserves			
Share capital	10	**312,890,213**	312,890,213
Reserves		**(16,265,430)**	(27,851,087)
		296,624,783	285,039,126
Non-current liabilities			
Deferred taxation		**7,590,692**	1,508,462
Provision for long service payments		**974,705**	2,053,401
Obligations under finance leases		**-**	346,735
Bank borrowings		**6,956,665**	9,610,997
Lease liabilities		**17,389,495**	-
		32,911,557	13,519,595
		329,536,340	298,558,721

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

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

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

1. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

New and Amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 *Leases* - continued

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, for lease previously classified as an operating lease under HKAS 17, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review; and

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entity was 4.9%.

	Note	At 1 April 2019 HK$
Operating lease commitments disclosed as at 31 March 2019		27,936,044
Lease liabilities discounted at relevant incremental borrowing rates		24,637,540
Less: Recognition exemption - short-term lease		(8,032)
Practical expedient - leases with lease term ending within 12 months from the date of initial application		(998,658)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		23,630,850
Add: Obligations under finance leases recognised at 31 March 2019	(a)	640,408
Lease liabilities as at 1 April 2019		24,271,258
Analysed as		
Current		4,141,019
Non-current		20,130,239
		24,271,258

1. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

New and Amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 *Leases* - continued

As a lessee - continued

The carrying amount of right-of-use assets for own use and those under subleases (classified as investment properties) as at 1 April 2019 comprises the following:

	Notes	Right-of-use assets HK$	Investment properties HK$
At 31 March 2019		-	188,235,225
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		-	23,630,850
Amounts included in property, plant and equipment as at 31 March 2019			
- Assets previously under finance leases	(a)	1,474,080	-
- Leasehold land	(b)	749,269	-
Adjustment to fair value of right-of-use assets accounted for as investment properties at 1 April 2019		-	56,375,266
Amounts included in property, plant and equipment reclassified to investment properties	(c)	-	28,376,425
		2,223,349	296,617,766

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$1,474,080 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$293,673 and HK$346,735 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(b) Upfront payments for leasehold lands in Hong Kong for own used hotel property were classified as property, plant and equipment as at 31 March 2019. Upon application of HKFRS 16, the upfront payments for leasehold lands amounting to HK$749,269 were reclassified to right-of-use assets.

(c) In relation to the rented premises in Mainland China in which the Group acted as an intermediate lessor, the carrying amount of modification costs to superstructure, leasehold improvement and certain fixtures previously included in property, plant and equipment amounting to HK$28,376,425 as at 1 April 2019 were included as part of the leased properties subject to subleases that are classified as investment properties.

1. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

New and Amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 *Leases* - continued

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into prior to the date of initial application but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Subleases

At the date of initial application, subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. All subleases as at the date of initial application were classified as operating leases and the related leased property under the head lease is remeasured to fair value at the date of initial application in accordance with the Group's accounting policies for investment properties. The fair value adjustment of HK$56,375,266 and the related deferred tax impact of HK$14,093,816 were adjusted to opening accumulated losses on transition.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 April 2019.

	Impact of adopting HKFRS 16 1 April 2019 HK$
Accumulated losses	
Fair value changes on right-of-use assets under subleases	56,375,266
Tax effects	(14,093,816)
Impact at 1 April 2019	42,281,450

1. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

New and Amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 *Leases* - continued

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK$	Adjustments HK$	Carrying amounts under HKFRS 16 at 1 April 2019 HK$
Non-current Assets			
Property, plant and equipment	61,973,925	(30,599,774)	31,374,151
Right-of-use assets	-	2,223,349	2,223,349
Investment properties	188,235,225	108,382,541	296,617,766
Current Liabilities			
Lease liabilities	-	4,141,019	4,141,019
Obligations under finance leases	293,673	(293,673)	-
Non-current liabilities			
Deferred taxation	1,508,462	14,093,816	15,602,278
Lease liabilities	-	20,130,239	20,130,239
Obligations under finance leases	346,735	(346,735)	-
Capital and reserves			
Accumulated losses	(35,523,756)	42,281,450	6,757,694

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

Certain right-of-use assets of the Group were subject to subleases in which the Group acted as an intermediate lessor. As 31 March 2020, the carrying amount of investment properties which were subject to subleases and the related deferred tax liabilities amounted to HK$82,834,140 and HK$6,473,724, respectively. During the year ended 31 March 2020, income from subleasing these properties amounted to HK$27,735,711, a fair value loss of these properties and reversal of related deferred tax liabilities amounted HK$27,048,722 and HK$7,579,541 were recognised in profit or loss.

1. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - continued

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[5]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2022
[6] Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards,* will be effective for annual periods beginning on or after 1 April 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue

(i) Disaggregation of revenue from contracts with customers

	2020		
Segments	Hotel operation in Hong Kong HK$	Serviced property letting in the Mainland China HK$	Total HK$
Types of goods or services			
Hotel operation			
- Hotel rooms revenue	**11,222,236**	**-**	**11,222,236**
- Food and beverages	**7,899,940**	**-**	**7,899,940**
Property management services	**-**	**892,374**	**892,374**
Total	**19,122,176**	**892,374**	**20,014,550**
Geographical markets			
Hong Kong	**19,122,176**	**-**	**19,122,176**
Mainland China	**-**	**892,374**	**892,374**
Total	**19,122,176**	**892,374**	**20,014,550**
Timing of revenue recognition			
A point in time	**7,899,940**	**-**	**7,899,940**
Over time	**11,222,236**	**892,374**	**12,114,610**
Total	**19,122,176**	**892,374**	**20,014,550**

	2019		
Segments	Hotel operation in Hong Kong HK$	Serviced property letting in the Mainland China HK$	Total HK$
Types of goods or services			
Hotel operation			
- Hotel rooms revenue	12,893,587	-	12,893,587
- Food and beverages	7,750,152	-	7,750,152
Property management services	-	1,181,181	1,181,181
Total	20,643,739	1,181,181	21,824,920
Geographical markets			
Hong Kong	20,643,739	-	20,643,739
Mainland China	-	1,181,181	1,181,181
Total	20,643,739	1,181,181	21,824,920
Timing of revenue recognition			
A point in time	7,750,152	-	7,750,152
Over time	12,893,587	1,181,181	14,074,768
Total	20,643,739	1,181,181	21,824,920

2. REVENUE AND SEGMENT INFORMATION - continued

(a) Revenue - continued

(ii) Performance obligations for contracts with customers

Hotel operation

Income from hotel operation represents the hotel room revenue from customers which are recognised over time using output method when the service and facilities are provided. The Group allows an average credit period is not more than 30 days to travel agents and corporate customers. All the hotel operation services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

For income from food and beverages, revenue is recognised when control of the goods has transferred to customers, being at the point the goods are delivered to the customer.

Property management service

Revenue from property management service are payable by the tenants, are recognised over time using output method when the services are provided. The Group applied the practical expedient in HKFRS by recognising revenue in the amount to which the Group has right to invoice, since the Group is entitled to bill a fixed amount for every three months according to the terms of the relevant agreement. As permitted under HKFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied contracts is not disclosed.

(iii) Leases

	2020	2019
	HK$	HK$
For operating leases:		
Lease payments that are fixed	**28,921,266**	30,554,234

2. REVENUE AND SEGMENT INFORMATION - continued

(b) Segment information

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2020 **HK$**	2019 HK$
Hotel rooms operation		
- Hotel rooms revenue	**11,222,236**	12,893,587
- Food and beverages	**7,899,940**	7,750,152
Property management services	**892,374**	1,181,181
Revenue from contracts with customers	**20,014,550**	21,824,920
Gross rental income from properties	**28,921,266**	30,554,234
Total revenue	**48,935,816**	52,379,154

Information reported to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is based on the financial information of subsidiaries engaged in different operations at different locations. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

1. Hotel operation in Hong Kong
2. Serviced property letting in the Mainland China
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

Segment revenue and results

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

2. REVENUE AND SEGMENT INFORMATION - continued

(b) Segment information - continued

	2020					
	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$
Revenue	**19,122,176**	**28,628,085**	**678,066**	**507,489**	**-**	**48,935,816**
Segment profit (loss)	**1,323,913**	**(10,122,412)**	**2,618,571**	**(7,272,510)**	**(3,170,151)**	**(16,622,589)**
Unallocated gains and losses						**184,702**
Unallocated expenses						**(12,536,091)**
Unallocated finance costs						**(812,457)**
Share of results of associates						**551,862**
Loss before tax						**(29,234,573)**
Income tax credit						**5,190,399**
Loss for the year						**(24,044,174)**

	2019					
	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$
Revenue	20,643,739	30,126,896	431,314	1,177,205	-	52,379,154
Segment profit (loss)	2,320,220	10,231,306	9,075,267	1,040,138	(7,331,638)	15,335,293
Unallocated gains and losses						173,800
Unallocated expenses						(21,035,447)
Unallocated finance costs						(813,191)
Share of results of associates						596,072
Loss before tax						(5,743,473)
Income tax expense						(3,851,997)
Loss for the year						(9,595,470)

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of certain other gains and losses, corporate expenses including auditor's remuneration, Directors' emoluments, administrative staff costs and depreciation of unallocated corporate assets, unallocated finance costs, share of results of associates and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

3. OTHER GAINS OR LOSSES

	2020	2019
	HK$	HK$
Decrease in fair value of financial assets at fair value through profit or loss	**(3,920,171)**	(8,063,195)
Impairment loss reversed (recognised) in respect of promissory notes receivables	**165,000**	(165,000)
(Loss) gain on disposal of property, plant and equipment	**(15,262)**	21,324
	(3,770,433)	(8,206,871)

4. FINANCE COSTS

	2020	2019
	HK$	HK$
Interests on borrowings	**793,150**	790,298
Interests on finance leases	**-**	22,893
Interests on lease liabilities	**1,074,370**	-
	1,867,520	813,191

5. INCOME TAX CREDIT (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%.

6. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the loss for the year of HK$24,044,174 (2019: HK$9,595,470) and the number of shares as calculated below.

	2020	2019
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**610,710,675**	609,839,442

For the years ended 31 March 2020 and 2019, the computation of the 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.

7. LOSS BEFORE TAX

	2020	2019
	HK$	HK$
Loss before tax has been arrived at after charging:		
Auditor's remuneration		
- audit service	**1,180,000**	1,180,000
- non-audit services	**25,000**	179,000
Cost of inventories recognised as an expense	**3,391,974**	3,763,908
Write-down of inventory	**-**	186,215
Depreciation of property, plant and equipment	**2,754,717**	8,680,628
Depreciation of right-of-use assets	**244,523**	-
Operating lease rentals in respect of rented premises	**-**	6,324,446
Staff costs:		
Directors' remuneration	**3,031,914**	6,400,769
Other staff:		
- Salaries and other allowances	**13,019,039**	11,551,684
- Retirement benefit schemes contributions	**759,516**	657,054
	13,778,555	12,208,738
and crediting:		
Interest income (included in other income)		
- Bank deposits	**204,556**	25,921
- Promissory notes receivables	**12,323**	118,177
	216,879	144,098
Dividend income from financial assets at FVTPL (included in other income)	**748,540**	729,263
Net rental income from properties	**23,172,244**	24,969,749

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.

	2020	2019
	HK$	HK$
Trade receivables		
- contracts with customers	**165,714**	232,668
- leases	**8,018,268**	876,432
	8,183,982	1,109,100

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$172,938.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of the reporting period which approximate the respective date of rendering of services.

	2020	2019
	HK$	HK$
0 - 30 days	**2,015,554**	502,205
31 - 60 days	**1,857,414**	120,471
Over 60 days	**4,311,014**	486,424
	8,183,982	1,109,100

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,168,428 (31 March 2019: HK$606,895) which are past due but which are not considered in default because there had not been a significant change in credit quality of these debtors with reference to track records as well as relevant forward looking information of these customers under internal assessment by the Group.

Trade receivables aged over 30 days are normally past due.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 HK$	2019 HK$
Trade payables	**348,710**	749,510
Other payables and accruals	**4,066,344**	5,425,312
Rental receipt in advance	**1,356,808**	5,316,489
	5,771,862	11,491,311

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

	2020 HK$	2019 HK$
0 - 30 days	**222,023**	256,329
31 - 60 days	**99,615**	219,652
Over 60 days	**27,072**	273,529
	348,710	749,510

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

Included in the other payables and accruals of HK$2,251,640 (2019: HK$3,692,264) related to accrued professional fees.

10. SHARE CAPITAL

	Number of shares	HK$
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2018	607,710,675	312,144,213
Exercise of share options	3,000,000	746,000
At 31 March 2019 and 2020	**610,710,675**	**312,890,213**

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2020 (2019: 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 Wednesday, 9 September 2020 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 Friday, 4 September 2020 to Wednesday, 9 September 2020, 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 forthcoming AGM, the non-registered Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 September 2020.

REVIEW OF OPERATIONS AND PROSPECTS

For the financial year ended 31 March 2020, the Group recorded a total revenue of approximately HK$48.9 million (2019: HK$52.4 million) and gross profit of approximately HK$25.8 million (2019: HK$13.5 million), representing a decrease in revenue of approximately 6.7% with a significant increase in gross profit of approximately 91.1% after recognition of all leased properties under subleases and remeasured to fair value under HKFRS 16. However, the investment properties including the leased properties under sublease have recorded a substantial decrease in fair value amounted to approximately HK$32.2 million versus a net fair value gain of approximately HK$9.3 million last year. The loss for the year attributable to the owners of the Company amounted to approximately HK$24.0 million (2019: HK$9.6 million).

For the year under review, the total revenue of the Cheung Chau Warwick Hotel recorded approximately HK$19.1 million (2019: HK$20.6 million) with a profit contribution of approximately HK$1.3 million (2019: HK$2.3 million). The rooms department recorded a decrease in revenue of approximately 13.0% while the food and beverages department recorded a mild increase in revenue of approximately 1.9%. The decrease in rooms revenue under the period concerned was mainly resulting from the impact of the social unrest that started in June 2019 and the outbreak of Coronavirus Disease 2019 ("COVID-19") since January 2020.

For the year under review, the Group's serviced property in Beijing, the People's Republic of China recorded a total revenue of approximately HK$28.6 million (2019: HK$30.1 million) with a loss of approximately HK$10.1 million (2019: profit of HK$10.2 million). The loss was mainly attributable to the significant drop in fair values of approximately HK$27.0 million of the leased properties under sublease during the year ended 31 March 2020.

REVIEW OF OPERATIONS AND PROSPECTS - continued

For securities investment and trading, the Group recorded a loss of approximately HK$3.2 million (2019: HK$7.3 million), which included a decrease of approximately HK$3.9 million (2019: decrease of HK$8.1 million) in fair value of financial assets at FVTPL.

For the coming year, Cheung Chau Warwick Hotel has further program on renovating the common area and upgrading the air-conditioning system and certain hotel room facilities. We will put more focus on local market staycation by developing more variety of packages and experience related tours to stabilize the hotel's revenue stream. As the serviced property in Beijing, we believe our management and services provide have been widely established and accepted by the local community. We have confidence these properties can maintain high occupancy in the coming year.

The recent economic slowdown and the outbreak of COVID-19 pandemic have presented a challenging year ahead. The hazards of contagion and hassles of quarantine have dealt heavy blows to the hotel and travel industries as international traffic is nearly paralyzed. Hospitality industry has been impacted significantly. However, we remain confident that Hong Kong is resilient and will recover gradually. The management will continue to steer the Group prudently and take this opportunity to improve the service quality and strengthen operational efficiency while at the same time on the lookout for appropriate investment opportunities with a view to increase profitability and shareholder returns.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had approximately 70 employees (2019: 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. The Company adopted a new share option scheme on 2 September 2016 as an incentive to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group's financial assets at FVTPL, with market value of approximately HK$23.6 million (2019: approximately HK$38.5 million), mainly represented investment portfolio of 13 equity securities listed in Hong Kong and 1 equity security listed in Singapore (2019: 15 equity securities listed in Hong Kong and 1 equity security listed in Singapore). The Board considers that the investments with market value as at 31 March 2020 accounting for more than 5% of the Group's total assets as at 31 March 2020 as significant investments. As at 31 March 2020, none of each investment represents 5% or more of the Group's total assets.

Save as the above, during the year ended 31 March 2020, there was no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had bank balances and cash of HK$9,475,449 (2019: HK$14,139,430), bank deposits with original maturity more than three months of HK$5,474,053 (2019: HK$6,994,637) and pledged bank deposits of HK$2,118,000 (2019: HK$2,118,000), which were mainly denominated in Hong Kong dollars and Renminbi.

LIQUIDITY AND FINANCIAL RESOURCES - continued

As at 31 March 2020, there were outstanding bank loans and utilised overdraft facilities of HK$23,656,475 (2019: HK$26,522,475) and unutilised overdraft facilities of HK$2,000,000 (2019: HK$2,000,000) available to the Group. All of outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with interest at prevailing market rates.

As at 31 March 2020, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

Shareholders' funds as at 31 March 2020 amounted to approximately HK$296.6 million (2019: HK$285.0 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 31 March 2020 was approximately 8.0% (2019: 9.3%).

CHARGES OVER ASSETS OF THE GROUP

As at 31 March 2020, certain property, plant and equipment, right-of-use assets and bank deposit with an aggregate carrying value of approximately HK$32.6 million (31 March 2019: approximately HK$32.9 million) are secured for the Group's bank borrowings and overdrafts.

CONTINGENT LIABILITIES

As at 31 March 2020, the Company had issued financial guarantees of HK$15,000,000 (2019: HK$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$14,053,920 (2019: HK$14,349,792) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had capital commitments of approximately HK$1,260,000 (2019: HK$465,842).

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

During the year ended 31 March 2020, 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2020, the Group did not have other plans for material investments and capital assets.

EVENTS AFTER THE REPORTING DATE

The Group has no material event subsequent to the year ended 31 March 2020 and up to the date of this announcement.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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") 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 2020.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2020, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Code"), 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 as well as the 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, risk management and internal control systems, 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.

AUDIT COMMITTEE - continued

The Group's final results for the year ended 31 March 2020 have been reviewed by the audit committee which recommended the same to the Board for approval.

PRELIMINARY ANNOUNCEMENT OF AUDITED FINAL RESULTS

The financial information relating to the years ended 31 March 2020 and 2019 included in this preliminary announcement of final results for the year ended 31 March 2020 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 Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2019 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 consolidated financial statements for the year ended 31 March 2020 in due course.

The Company's independent auditor has reported on the consolidated financial statements of the Group for the year ended 31 March 2020. 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 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 2020 as set out in this preliminary announcement have been agreed by the Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2020. 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 HKICPA 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, 30 June 2020

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