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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 2021

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 2021 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 2021

	Notes	2021 HK\$	2020 HK\$
Revenue	2	49,691,581	48,935,816
Cost of sales		(23,142,330)	(23,150,113)
Gross profit		26,549,251	25,785,703
Other income		2,859,574	965,419
Other gains or losses	3	9,832,855	(3,770,433)
Net decrease in fair values of investment properties		(11,121,449)	(32,175,408)
Administrative expenses		(18,051,171)	(17,268,705)
Selling expenses		(1,014,048)	(1,455,491)
Finance costs	4	(1,587,764)	(1,867,520)
Share of results of associates		630,841	551,862
Profit (loss) before tax	7	8,098,089	(29,234,573)
Income tax (expense) credit	5	(207,093)	5,190,399
Profit (loss) for the year attributable to owners of the Company		7,890,996	(24,044,174)

	<i>Notes</i>	2021 HK\$	2020 HK\$
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gain on equity instrument at fair value through other comprehensive income (“FVTOCI”)		–	21,422
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>7,902,150</u>	<u>(7,651,921)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company		<u>15,793,146</u>	<u>(31,674,673)</u>
EARNINGS (LOSS) PER SHARE			
Basic (HK cents)	6	<u>1.29 cents</u>	<u>(3.94) cents</u>
Diluted (HK cents)		<u>1.29 cents</u>	<u>(3.94) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	<i>Notes</i>	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Non-current assets			
Property, plant and equipment		31,695,028	30,665,995
Right-of-use assets		4,115,252	1,978,826
Deposits for capital expenditure		359,230	3,895,232
Investment properties		267,675,776	263,678,656
Interests in associates		988,670	857,829
Paintings		4,403,210	4,367,221
		309,237,166	305,443,759
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		28,962,867	23,590,760
Inventories		260,431	309,381
Trade receivables	8	1,732,288	8,183,982
Other receivables, deposits and prepayment		1,296,554	1,266,666
Pledged bank deposits		–	2,118,000
Bank deposits		15,380,975	5,474,053
Deposit held with a security broker company		5,221,707	5,564,000
Bank balances and cash		27,022,281	9,475,449
		79,877,103	55,982,291
Current liabilities			
Trade and other payables and accruals	9	9,196,395	5,771,862
Contract liabilities		353,190	300,782
Rental deposits received		128,200	95,628
Amount due to an associate		810,381	293,381
Amounts due to related companies		672,551	675,731
Bank borrowings		16,776,772	16,699,810
Lease liabilities		7,783,595	5,900,183
Tax payable		1,973,490	2,152,333
		37,694,574	31,889,710
Net current assets		42,182,529	24,092,581
Total assets less current liabilities		351,419,695	329,536,340

	<i>Notes</i>	2021 HK\$	2020 <i>HK\$</i>
Capital and reserves			
Share capital	10	325,837,279	312,890,213
Reserves		(472,284)	(16,265,430)
		<u>325,364,995</u>	<u>296,624,783</u>
Non-current liabilities			
Deferred taxation		6,326,612	7,590,692
Provision for long service payments		627,173	974,705
Bank borrowings		4,233,909	6,956,665
Lease liabilities		14,867,006	17,389,495
		<u>26,054,700</u>	<u>32,911,557</u>
		<u>351,419,695</u>	<u>329,536,340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the Amendments to References to the Conceptual Frameworks in HKFRS Standard and the amendments to HKFRSs in the current year 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.

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 and the related Amendments ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue

(i) Disaggregation of revenue from contracts with customers

Segments	2021		Total HK\$
	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	
Types of goods or services			
Hotel operation			
– Hotel rooms revenue	13,370,953	–	13,370,953
– Food and beverages	4,609,962	–	4,609,962
Property management services	–	964,381	964,381
Total	17,980,915	964,381	18,945,296
Geographical markets			
Hong Kong	17,980,915	–	17,980,915
Mainland China	–	964,381	964,381
Total	17,980,915	964,381	18,945,296
Timing of revenue recognition			
A point in time	4,609,962	–	4,609,962
Over time	13,370,953	964,381	14,335,334
Total	17,980,915	964,381	18,945,296

Segments	2020		Total <i>HK\$</i>
	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	
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

(ii) *Performance obligations for contracts with customers*

Hotel operation

For income from hotel room revenue, revenue is recognised over time using output method when the service and facilities are provided. The Group allows an average credit period of 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 services

Revenue from property management services 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*

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
For operating leases:		
Lease payments that are fixed	30,746,285	28,921,266

(b) **Segment information**

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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Hotel rooms operation in Hong Kong		
– Hotel rooms revenue	13,370,953	11,222,236
– Food and beverages	4,609,962	7,899,940
Property management services in the Mainland China	964,381	892,374
Revenue from contracts with customers	18,945,296	20,014,550
Serviced property letting in the Mainland China	29,911,913	27,735,711
Property investment in Hong Kong	834,372	678,066
Property investment in overseas	–	507,489
Gross rental income from properties	30,746,285	28,921,266
Total revenue	49,691,581	48,935,816

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 in 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:

	2021					Total HK\$
	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	Property investment in Hong Kong HK\$	Property investment in overseas HK\$	Securities investment and trading HK\$	
Revenue	<u>17,980,915</u>	<u>30,876,294</u>	<u>834,372</u>	<u>-</u>	<u>-</u>	<u>49,691,581</u>
Segment profit (loss)	<u>4,137,161</u>	<u>(3,644,355)</u>	<u>11,231,543</u>	<u>(2,930,028)</u>	<u>10,228,263</u>	<u>19,022,584</u>
Unallocated gains and losses						(134,738)
Unallocated other income						474,586
Unallocated expenses						(11,362,801)
Unallocated finance costs						(532,383)
Share of results of associates						<u>630,841</u>
Profit before tax						<u>8,098,089</u>
	2020					
	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	Property investment in Hong Kong HK\$	Property investment in overseas HK\$	Securities investment and trading HK\$	Total HK\$
Revenue	<u>19,122,176</u>	<u>28,628,085</u>	<u>678,066</u>	<u>507,489</u>	<u>-</u>	<u>48,935,816</u>
Segment profit (loss)	<u>1,323,913</u>	<u>(10,122,412)</u>	<u>2,618,571</u>	<u>(7,272,510)</u>	<u>(3,170,151)</u>	<u>(16,622,589)</u>
Unallocated gains and losses						154,151
Unallocated other income						30,551
Unallocated expenses						(12,536,091)
Unallocated finance costs						(812,457)
Share of results of associates						<u>551,862</u>
Loss before tax						<u>(29,234,573)</u>

The accounting policies of the operating segments are same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of certain other gains and losses, 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. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Information about major customers

Revenue from external customers included in serviced property letting in the Mainland China segment contributing over 10% of the total revenue of the Group is as follows:

	2021	2020
	HK\$	HK\$
Customer A	6,475,810	5,962,239
Customer B	24,406,985	22,664,870
	30,882,795	28,627,109

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2021	2020
	HK\$	HK\$
Segment assets		
Hotel operation in Hong Kong	23,039,855	21,404,115
Serviced property letting in the Mainland China	97,029,556	102,669,417
Property investment in Hong Kong	172,198,032	157,442,631
Property investment in overseas	27,605,586	27,770,339
Securities investment and trading	34,195,615	29,183,315
Total segment assets	354,068,644	338,469,817
Paintings	4,403,210	4,367,221
Other unallocated assets	30,642,415	18,589,012
Consolidated assets	389,114,269	361,426,050
Segment liabilities		
Hotel operation in Hong Kong	2,762,936	2,359,486
Serviced property letting in the Mainland China	33,698,344	34,738,995
Property investment in Hong Kong	1,196,098	790,457
Property investment in overseas	140,392	253,928
Securities investment and trading	150,000	150,000
Total segment liabilities	37,947,770	38,292,866
Bank borrowings	21,010,681	23,656,475
Lease liabilities	2,041,198	341,677
Other unallocated liabilities	2,749,625	2,510,249
Consolidated liabilities	63,749,274	64,801,267

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than paintings, interests in associates and other unallocated corporate assets.
- all liabilities are allocated to reportable segments other than amount due to an associate and related companies, bank borrowings, provision for long service payments (other than those staff employed for hotel operation), certain unallocated lease liabilities and other corporate liabilities.

Other segment information

The following segment information is included in the measurement of segment profit or loss and segment assets and segment liabilities:

2021	Hotel	Serviced	Property	Property	Securities	Segment	Unallocated	Total
	operation in	letting in the	investment in	investment	investment			
	Hong Kong	Mainland	Hong Kong	in overseas	and trading	total		
	HK\$	China	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Additions of property, plant and equipment	3,129,765	591,103	-	-	-	3,720,868	42,619	3,763,487
Additions of right-of-use assets	-	912,179	-	-	-	912,179	2,260,242	3,172,421
Additions of investment properties	-	2,715,253	57,900	2,967,797	-	5,740,950	-	5,740,950
Depreciation of property, plant and equipment	2,049,757	198,901	-	-	-	2,248,658	499,095	2,747,753
Depreciation of right-of-use assets	28,016	200,690	-	-	-	228,706	593,213	821,919
Decrease (increase) in fair values of investment properties	-	22,656,388	(14,502,738)	2,967,799	-	11,121,449	-	11,121,449
Finance costs	-	1,033,353	-	-	22,028	1,055,381	532,383	1,587,764
Increase in fair values of financial assets at FVTPL	-	-	-	-	(9,959,464)	(9,959,464)	-	(9,959,464)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,959,464)</u>	<u>(9,959,464)</u>	<u>-</u>	<u>(9,959,464)</u>
2020	Hotel	Serviced	Property	Property	Securities	Segment	Unallocated	Total
	operation in	letting in the	investment in	investment	investment			
	Hong Kong	Mainland	Hong Kong	in overseas	and trading	total		
	HK\$	China	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Additions of property, plant and equipment	2,110,540	-	-	-	-	2,110,540	11,111	2,121,651
Additions of investment properties	-	8,097,726	366,625	-	-	8,464,351	-	8,464,351
Depreciation of property, plant and equipment	1,867,311	372,715	-	-	-	2,240,026	514,691	2,754,717
Depreciation of right-of-use assets	28,017	-	-	-	-	28,017	216,506	244,523
Decrease (increase) in fair values of investment properties	-	27,048,722	(2,523,773)	7,650,459	-	32,175,408	-	32,175,408
Finance costs	-	1,055,063	-	-	-	1,055,063	812,457	1,867,520
Decrease in fair values of financial assets at FVTPL	-	-	-	-	3,920,171	3,920,171	-	3,920,171
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,920,171</u>	<u>3,920,171</u>	<u>-</u>	<u>3,920,171</u>

Geographical information

The Group's operations are located in Hong Kong, the Mainland China and overseas.

The Group's revenue from external customers and the Group's non-current assets by geographical location are analysed below.

	Revenue from external customers		Non-current assets	
	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
Hong Kong	18,815,287	19,800,242	210,707,700	194,461,074
Mainland China	30,876,294	28,628,085	71,725,157	84,080,897
Overseas	–	507,489	26,804,309	26,901,788
	<u>49,691,581</u>	<u>48,935,816</u>	<u>309,237,166</u>	<u>305,443,759</u>

3. OTHER GAINS OR LOSSES

	2021 HK\$	2020 HK\$
Increase (decrease) in fair values of financial assets at FVTPL	9,959,464	(3,920,171)
Impairment loss reversed in respect of promissory notes receivables	–	165,000
Loss on disposal of property, plant and equipment	(126,609)	(15,262)
	<u>9,832,855</u>	<u>(3,770,433)</u>

4. FINANCE COSTS

	2021 HK\$	2020 HK\$
Interests on borrowings	524,872	793,150
Interests on lease liabilities	1,062,892	1,074,370
	<u>1,587,764</u>	<u>1,867,520</u>

5. INCOME TAX EXPENSE (CREDIT)

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Current tax:		
Mainland China	2,035,936	1,773,342
Fiji	–	76,712
	<u>2,035,936</u>	<u>1,850,054</u>
Under(over)provision in prior year:		
Mainland China	361,021	23,408
Fiji	(178,358)	–
	<u>182,663</u>	<u>23,408</u>
Deferred taxation	<u>(2,011,506)</u>	<u>(7,063,861)</u>
	<u><u>207,093</u></u>	<u><u>(5,190,399)</u></u>

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. 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\$7,890,996 (2020: loss for the year of HK\$24,044,174) and the number of shares as calculated below.

	2021	2020
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u><u>614,057,035</u></u>	<u><u>610,710,675</u></u>

For the year ended 31 March 2021, the computation of the diluted earnings per share for the year did 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 2020, 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. PROFIT (LOSS) BEFORE TAX

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Profit (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	25,000
Cost of inventories recognised as an expense	2,842,609	3,391,974
Depreciation of property, plant and equipment	2,747,753	2,754,717
Depreciation of right-of-use assets	821,919	244,523
Staff costs:		
Directors' remuneration	2,065,902	3,031,914
Other staff:		
– Salaries and other allowances	12,170,167	13,019,039
– Retirement benefit schemes contributions	782,943	759,516
	<u>12,953,110</u>	<u>13,778,555</u>
and crediting:		
Interest income (included in other income)		
– Bank deposits	148,130	204,556
– Promissory notes receivables	–	12,323
	<u>148,130</u>	<u>216,879</u>
Dividend income from financial assets at FVTPL (included in other income)	290,767	748,540
Government grants (included in other income)	<u>2,420,677</u>	<u>–</u>

During the current year, the Group recognised government grants of HK\$2,420,677 in respect of Covid-19 related subsidies, of which HK\$1,670,677 relates to the Employment Support Scheme provided by the Government.

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.

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade receivables		
– contracts with customers	108,555	165,714
– leases	1,623,733	8,018,268
	<u>1,732,288</u>	<u>8,183,982</u>

As at 1 April 2019, trade receivables from contracts with customers amounted to HK\$232,668.

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.

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
0–30 days	666,044	2,015,554
31–60 days	250,801	1,857,414
Over 60 days	815,443	4,311,014
	1,732,288	8,183,982

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,066,244 (31 March 2020: HK\$6,168,428) 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.

Trade receivable due from the related party

As at 31 March 2021, included in the Group's trade receivables is an unsecured amount due from the Group's related company of HK\$776,005 (2020: HK\$725,371). An amount of HK\$776,005 (2020: HK\$690,826) is past due at the reporting date but which is not considered as in default. No impairment has been recognised in accordance with expected credit loss model in respect of the amount outstanding from the related company. The related company was controlled by a common director of a subsidiary of the Company.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade payables	379,878	348,710
Other payables and accruals	4,814,170	4,066,344
Rental receipt in advance	4,002,347	1,356,808
	9,196,395	5,771,862

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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
0–30 days	194,685	222,023
31–60 days	157,046	99,615
Over 60 days	28,147	27,072
	379,878	348,710

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

Included in the other payables and accruals of HK\$2,233,838 (2020: HK\$2,251,640) 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 2019 and 31 March 2020	610,710,675	312,890,213
Issue of new shares pursuant to a placing agreement (<i>note</i>)	<u>122,142,135</u>	<u>12,947,066</u>
At 31 March 2021	<u>732,852,810</u>	<u>325,837,279</u>

Note: On 1 March 2021, arrangements were made for a private placement to independent private investors of 122,142,135 ordinary shares at a price of HK\$0.106 per ordinary share representing a discount of approximately 16.54% to the closing price of the Company's ordinary shares on 1 March 2021. The private placement was completed on 22 March 2021.

The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 September 2020 (the "2020 AGM") and rank pari passu with other shares in issue in all respects

11. DIVIDENDS

No dividends were paid or proposed during the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2021 (2020: 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 Thursday, 9 September 2021 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 Monday, 6 September 2021 to Thursday, 9 September 2021, 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 Friday, 3 September 2021.

REVIEW OF OPERATIONS AND PROSPECTS

For the financial year ended 31 March 2021, the Group recorded a total revenue of approximately HK\$49.7 million (2020: HK\$48.9 million) and gross profit of approximately HK\$26.5 million (2020: HK\$25.8 million), representing a steady revenue with a mild increase in gross profit of approximately 2.71%. The securities investment portfolio has recorded an increase in fair value amounted to approximately HK\$10.0 million versus a decrease in fair value of approximately HK\$3.9 million last year. However, the investment properties including the leased properties under sublease have recorded a decrease in fair value amounted to approximately HK\$11.1 million (2020: HK\$32.2 million). The profit for the year attributable to the owners of the Company amounted to approximately HK\$7.9 million (2020: loss of HK\$24.0 million).

For the year under review, the total revenue of the Cheung Chau Warwick Hotel recorded approximately HK\$18.0 million (2020: HK\$19.1 million) with a profit contribution of approximately HK\$4.1 million (2020: HK\$1.3 million). The rooms department recorded an increase in revenue of approximately 19.1% while the food and beverages department recorded a significant drop in revenue of approximately 41.6%. The substantial drop in food and beverages revenue under the period concerned was mainly resulting from the impact of the ongoing Coronavirus Disease 2019 (“COVID-19”) outbreak. Given the continued deterioration of the COVID-19 pandemic, the HKSAR Government has further tightened its control measures. As a result, many bookings have been deferred/cancelled during the year ended 31 March 2021. In addition to tightening expense control, the Group has applied for and obtained the COVID-19 subsidies from the HKSAR Government.

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\$30.9 million (2020: HK\$28.6 million) with a loss of approximately HK\$3.6 million (2020: HK\$10.1 million). The loss was mainly attributable to the significant drop in fair values of approximately HK\$22.7 million of the leased properties under sublease during the year ended 31 March 2021 (2020: HK\$27.0 million).

For securities investment and trading, the Group recorded a profit of approximately HK\$10.2 million (2020: loss of HK\$3.2 million), which included an increase of approximately HK\$10.0 million (2020: decrease of HK\$3.9 million) in fair value of financial assets at FVTPL.

For the coming year, Cheung Chau Warwick Hotel has further program on renovating hotel room facilities. We will put more focus on local market by developing more variety of staycation packages and authentic experiences to stabilize the hotel’s revenue stream.

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. The Group will continue to navigate through challenging market and take this opportunity to improve the service quality and strengthen operational efficiency. The Group will look for appropriate investment opportunities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group has approximately 70 employees (2020: 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-jobs training for the employees.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 31 March 2021, the Group's financial assets at FVTPL, with market value of approximately HK\$29.0 million (2020: approximately HK\$23.6 million), mainly represented investment portfolio of 29 equity securities listed in Hong Kong and 1 equity security listed in Singapore (2020: 13 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 2021 accounting for more than 5% of the Group's total assets as at 31 March 2021 as significant investments. As at 31 March 2021, none of each investment represents 5% or more of the Group's total assets.

Save as the above, during the year ended 31 March 2021, 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 2021, the Group had bank balances and cash of HK\$27,022,281 (2020: HK\$9,475,449), bank deposits with original maturity more than three months of HK\$15,380,975 (2020: HK\$5,474,053) and no pledged bank deposits (2020: HK\$2,118,000), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 March 2021, there were outstanding bank loans and utilised overdraft facilities of HK\$21,010,681 (2020: HK\$23,656,475) and no unutilised overdraft facilities (2020: 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 2021, 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 2021 amounted to approximately HK\$325.4 million (2020: HK\$296.6 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 31 March 2021 was approximately 6.7% (2020: 8.0%).

CHARGES OVER ASSETS OF THE GROUP

As at 31 March 2021, certain property, plant and equipment, right-of-use assets and bank deposit with an aggregate carrying value of approximately HK\$31.1 million (2020: approximately HK\$32.6 million) are secured for the Group's bank borrowings and overdrafts.

CONTINGENT LIABILITIES

As at 31 March 2021, the Company had issued financial guarantees of HK\$15,000,000 (2020: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,053,920 (2020: HK\$14,053,920) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had capital commitments of HK\$815,046 (2020: HK\$1,260,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

During the year ended 31 March 2021, the Company did not redeem any of the 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 2021, 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 2021 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules" and the "Model Code", respectively). 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 2021.

PLACING OF SHARES UNDER GENERAL MANDATE

On 1 March 2021, the Company entered into a placing agreement with Kingston Securities Limited (the “Placing Agent”), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 122,142,135 Shares at the placing price of HK\$0.106 per placing Share to not less than six placees who are professional, institutional, or other investors who are third parties independent of the Company and its connected persons (the “Placing”), where the placing Shares were to be allotted and issued pursuant to the general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the 2020 AGM to allot, issue and deal with up to 20% of the then issued Shares (i.e. 122,142,135) as at the date of the 2020 AGM. The placing price represents a discount of approximately 16.54% to the closing price of HK\$0.127 per Share as quoted on the Stock Exchange on 1 March 2021 (being the date of the placing agreement) and a discount of approximately 19.07% to the average closing price of HK\$0.132 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding 1 March 2021.

Completion of the Placing took place on 22 March 2021 upon which a total of 122,142,135 placing Shares have been successfully placed by the Placing Agent to not less than six placees pursuant to the terms and conditions of the placing agreement.

The gross proceeds from the Placing amounted to HK\$12.9 million and the net proceeds amounted to approximately HK\$12.7 million (after deducting the placing commission and other related expenses and professional fees). The net price per placing Share is approximately HK\$0.104.

The Directors are of the view that the terms of the placing agreement are fair and reasonable, and the Placing will strengthen the Group’s financial position, broaden the Shareholders’ base and is in the interests of the Company and the Shareholders as a whole.

Net proceeds from the Placing in the amount of approximately HK\$12.7 million were intended to be used for general working capital for the Group.

For details of the Placing, please refer to the announcements of the Company dated 1 March 2021 and 22 March 2021.

USE OF PROCEEDS FROM PLACING

The net proceeds from the Placing after deducting the placing commission and other related expenses and professional fees, was amounted to approximately HK\$12.7 million. The table below sets out the proposed application and the actual usage of the net proceeds from the Placing as at 31 March 2021 as follows:

	Planned use of net proceeds	Actual use of the net proceeds up to the year ended 31 March 2021	Actual use of the net proceeds during the year ended 31 Marh 2021	Unused net proceeds as at 31 March 2021	Expected time frame of full utilisation of unused net proceeds
	(HK\$)	(HK\$)	(HK\$)	(HK\$)	
General working capital	<u>12.7 million</u>	<u>–</u>	<u>–</u>	<u>12.7 million</u>	By 30 June 2022

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2021, 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.

In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Code, and maintain a high standard of corporate governance practices 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 AGM 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 (the "Audit Committee") has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems, and financial reporting matters including the review of the consolidated financial statements. 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 2021 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 2021 and 2020 included in this preliminary announcement of final results for the year ended 31 March 2021 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 2020 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 2021 in due course.

The Company's independent auditor has reported on the consolidated financial statements of the Group for the year ended 31 March 2021. 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 2021 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 2021. 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 2021

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.