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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

Interim Results For The Six Months Ended 30 September 2023

INTERIM RESULTS

The board of directors (the “Directors” and the “Board”, respectively) of Far East Hotels and Entertainment Limited (the “Company”) announces that the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2023 (the “Period”) 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 2023

	Notes	Six months ended 30 September	
		2023 (unaudited) HK\$	2022 (unaudited) HK\$
Revenue	3	17,378,176	19,884,178
Cost of sales		(12,332,491)	(14,867,053)
Gross profit		5,045,685	5,017,125
Other income, gains or losses	5	(851,130)	(4,727,686)
Net increase in fair values of investment properties		138,830	32,056,748
Selling expenses		(759,186)	(711,922)
Administrative expenses		(12,241,786)	(10,609,845)
Finance costs	6	(476,348)	(484,754)
Share of results of associates		336,844	286,273
(Loss) profit before tax	4	(8,807,091)	20,825,939
Income tax credit (expense)	7	1,056,239	(906,256)
(Loss) profit for the period attributable to owners of the Company		(7,750,852)	19,919,683

		Six months ended 30 September	
		2023	2022
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$	HK\$
Other comprehensive expense:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(1,033,306)</u>	<u>(7,780,411)</u>
Total comprehensive (expenses) income for the period attributable to owners of the Company		<u><u>(8,784,158)</u></u>	<u><u>12,139,272</u></u>
(LOSS) EARNINGS PER SHARE			
Basic	8	<u><u>(1.03) cents</u></u>	<u><u>2.67 cents</u></u>
Diluted		<u><u>(1.03) cents</u></u>	<u><u>2.48 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	<i>Notes</i>	30 September 2023 (unaudited) HK\$	31 March 2023 (audited) HK\$
Non-current assets			
Property, plant and equipment		27,411,504	28,444,572
Right-of-use assets		1,986,365	2,790,429
Deposits for capital expenditure		941,440	956,512
Investment properties		288,629,633	288,490,803
Interests in associates		1,124,945	788,101
Finance lease receivables		1,092,889	6,376,159
Paintings		5,108,580	4,386,582
Deferred tax assets		1,287,018	–
		327,582,374	332,233,158
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		16,991,345	19,736,940
Inventories		487,558	316,840
Finance lease receivables		12,262,297	19,401,938
Trade receivables	10	372,145	430,560
Other receivables, deposits and prepayment		2,542,075	2,139,736
Demand deposits held with security broker companies		6,282,724	3,104,387
Bank balances and cash		28,109,970	30,314,264
		67,048,114	75,444,665
Current liabilities			
Trade and other payables and accruals	11	9,250,439	8,254,151
Contract liabilities		80,858	125,971
Rental deposits received		177,300	105,300
Amount due to an associate		963,381	737,381
Amounts due to related companies		659,046	668,906
Bank borrowings	12	10,547,815	11,740,184
Lease liabilities		5,465,259	6,581,696
Tax payable		2,709,188	2,361,244
		29,853,286	30,574,833

		30 September	31 March
		2023	2023
		(unaudited)	(audited)
	<i>Notes</i>	HK\$	HK\$
Net current assets		37,194,828	44,869,832
Total assets less current liabilities		364,777,202	377,102,990
Capital and reserves			
Share capital	13	329,138,773	327,866,573
Reserves		34,809,335	43,593,493
		363,948,108	371,460,066
Non-current liabilities			
Deferred taxation		–	2,202,310
Provision for long service payments		681,808	681,808
Lease liabilities		147,286	2,758,806
		829,094	5,642,924
		364,777,202	377,102,990

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 (the “Listing Rules”) and should be read in conjunction with the annual financial statements for the year ended 31 March 2023.

The financial information relating to the year ended 31 March 2023 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2023 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 (Chapter 622 of the laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2023 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“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 2023, except for those due to the application of amendments to HKFRSs issued by the HKICPA.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated 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 Mainland China
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 September 2023 (unaudited)		
	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	Total <i>HK\$</i>
Types of goods or services			
Hotel operation			
– Hotel rooms revenue	8,579,574	–	8,579,574
– Food and beverages	3,573,951	–	3,573,951
Property management services	–	3,495,583	3,495,583
Total	12,153,525	3,495,583	15,649,108
Geographical markets			
Hong Kong	12,153,525	–	12,153,525
Mainland China	–	3,495,583	3,495,583
Total	12,153,525	3,495,583	15,649,108
Timing of revenue recognition			
A point in time	3,573,951	–	3,573,951
Over time	8,579,574	3,495,583	12,075,157
Total	12,153,525	3,495,583	15,649,108

Six months ended 30 September 2022 (unaudited)

Segments	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	Total <i>HK\$</i>
Types of goods or services			
Hotel operation			
– Hotel rooms revenue	8,908,276	–	8,908,276
– Food and beverages	3,441,342	–	3,441,342
Property management services	–	2,883,179	2,883,179
Total	12,349,618	2,883,179	15,232,797
Geographical markets			
Hong Kong	12,349,618	–	12,349,618
Mainland China	–	2,883,179	2,883,179
Total	12,349,618	2,883,179	15,232,797
Timing of revenue recognition			
A point in time	3,441,342	–	3,441,342
Over time	8,908,276	2,883,179	11,791,455
Total	12,349,618	2,883,179	15,232,797

Segment revenue and results

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

	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	Property investment in Hong Kong <i>HK\$</i>	Property investment overseas <i>HK\$</i>	Securities investment and trading <i>HK\$</i>	Total <i>HK\$</i>
Six months ended 30 September 2023 (unaudited)						
Revenue	<u>12,153,525</u>	<u>4,461,930</u>	<u>391,015</u>	<u>371,706</u>	<u>–</u>	<u>17,378,176</u>
Segment profit (loss)	<u>1,688,305</u>	<u>(384,126)</u>	<u>(2,322,413)</u>	<u>377,645</u>	<u>(1,618,752)</u>	<u>(2,259,341)</u>
Unallocated other income, gains and losses						2,610
Unallocated expenses						(6,570,472)
Unallocated finance costs						(316,732)
Share of results of associates						<u>336,844</u>
Loss before tax						<u>(8,807,091)</u>
Six months ended 30 September 2022 (unaudited)						
Revenue	<u>12,349,618</u>	<u>6,891,425</u>	<u>449,256</u>	<u>193,879</u>	<u>–</u>	<u>19,884,178</u>
Segment profit (loss)	<u>3,194,842</u>	<u>(5,845,159)</u>	<u>35,254,506</u>	<u>105,281</u>	<u>(6,332,893)</u>	26,376,577
Unallocated other income, gains and losses						194,422
Unallocated expenses						(5,831,015)
Unallocated finance costs						(200,318)
Share of results of associates						<u>286,273</u>
Profit before tax						<u>20,825,939</u>

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
	HK\$	HK\$
Hong Kong	12,544,540	12,798,874
Mainland China	4,461,930	6,891,425
Overseas	371,706	193,879
	17,378,176	19,884,178

4. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
	HK\$	HK\$
(Loss) profit before tax has been arrived at after charging:		
Auditor's remuneration	640,000	655,000
Cost of inventories recognised as an expense	1,622,628	1,794,534
Depreciation of property, plant and equipment	1,382,385	1,333,552
Depreciation of right-of-use assets	785,360	786,948
Directors' remuneration and other staff costs:		
– Salaries and other allowances	8,289,957	7,794,333
– Retirement benefit schemes contributions	523,208	534,086
– Share-based payment expenses	–	–
	8,813,165	8,328,419

5. OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
	HK\$	HK\$
Government subsidies	–	678,400
Dividend income from financial assets at FVTPL	583,062	1,435,710
Change in fair value of financial assets at FVTPL	(2,217,308)	(7,768,653)
Bank interest income	36,498	58,650
Finance lease interest income	699,832	878,020
Gain (loss) on disposal of property, plant and equipment	46,786	(9,813)
	(851,130)	(4,727,686)

6. FINANCE COSTS

	Six months ended 30 September	
	2023 (unaudited) HK\$	2022 (unaudited) HK\$
Interests on borrowings	303,088	183,441
Interests on lease liabilities	173,260	301,313
	<u>476,348</u>	<u>484,754</u>

7. 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 had tax losses to offset the assessable profits for both periods.

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 periods.

Fiji corporate income tax is calculated in accordance with Income Tax Act at a rate of 25% (30 September 2022: 20%).

8. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the loss for the Period of HK\$7,750,852 (30 September 2022: profit of HK\$19,919,683) and the number of shares as calculated below:

	Six months ended 30 September	
	2023 (unaudited)	2022 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	751,983,362	746,524,755
Effect of dilutive potential ordinary shares – share options	–	38,850,401
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>751,983,362</u>	<u>785,375,156</u>

The computation of the diluted loss per share for the Period did not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share. The computation of the diluted earnings per share for the six months ended 30 September 2022 was calculated by adjusting the weighted average number of ordinary shares to assuming conversion of all dilutive potential ordinary shares.

9. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the Period (30 September 2022: Nil).

10. 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.

	30 September 2023 (unaudited) HK\$	31 March 2023 (audited) HK\$
Trade receivables		
– contracts with customers	360,940	106,362
– leases	11,205	324,198
	<hr/> 372,145 <hr/>	<hr/> 430,560 <hr/>

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.

	30 September 2023 (unaudited) HK\$	31 March 2023 (audited) HK\$
0–30 days	372,145	430,560
31–60 days	–	–
Over 60 days	–	–
	<hr/> 372,145 <hr/>	<hr/> 430,560 <hr/>

No balance was past due as at 30 September 2023 and 31 March 2023.

Trade receivables aged over 30 days are normally past due.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2023 (unaudited) HK\$	31 March 2023 (audited) HK\$
Trade payables	613,141	576,641
Other payables and accruals	8,517,839	7,555,697
Rental receipt in advance	119,459	121,813
	<hr/> 9,250,439 <hr/>	<hr/> 8,254,151 <hr/>

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

	30 September 2023 (unaudited) HK\$	31 March 2023 (audited) HK\$
0–30 days	237,405	237,593
31–60 days	304,058	311,398
Over 60 days	71,678	27,650
	<hr/> 613,141 <hr/>	<hr/> 576,641 <hr/>

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

Included in the other payables and accruals of HK\$2,255,633 (31 March 2023: HK\$1,998,671) related to accrued professional fees.

12. BANK BORROWINGS

	30 September 2023 (unaudited) HK\$	31 March 2023 (audited) HK\$
The secured bank borrowings are repayable as follows:		
– Within one year*	240,670	1,433,039
– Within a period of more than one year but not exceeding two years*	<u>–</u>	<u>–</u>
	240,670	1,433,039
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<u>10,307,145</u>	<u>10,307,145</u>
	10,547,815	11,740,184
Less: Amount due within one year shown under current liabilities	<u>(10,547,815)</u>	<u>(11,740,184)</u>
Amount due after one year shown under non-current liabilities	<u><u>–</u></u>	<u><u>–</u></u>

* The amounts due are based on schedule repayment dates set out in the loan agreements.

The bank borrowings carry floating-rate interest based on the bank's prime rate minus 2.5% and the Hong Kong Interbank Offered Rate plus 1.3% ranged from 3.13% to 4.90% (30 September 2022: 1.49% to 3.10%).

13. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2022	733,852,810	325,964,479
Exercise of share options (<i>note a</i>)	<u>14,677,000</u>	<u>1,902,094</u>
At 31 March 2023 and 1 April 2023	748,529,810	327,866,573
Exercise of share options (<i>note b</i>)	<u>4,000,000</u>	<u>1,272,200</u>
At 30 September 2023	<u><u>752,529,810</u></u>	<u><u>329,138,773</u></u>

Notes:

- a. During the year ended 31 March 2023, 12,300,000 share options (granted on 18 August 2021) and 2,377,000 share options (granted on 25 March 2020) were exercised by two Directors at HK\$0.1272 and HK\$0.1420 per share, respectively.
- b. During the Period, 1,000,000 share options (granted on 23 October 2015), 1,000,000 share options (granted on 23 October 2017), 1,000,000 share options (granted on 25 March 2020) and 1,000,000 share options (granted on 18 August 2021) were exercised by one Director at HK\$0.5600, HK\$0.4430, HK\$0.1420 and HK\$0.1272 per share, respectively.

14. OPERATING LEASES

The Group as lessor

The properties have committed tenants for a remaining term of one to five years (31 March 2023: one to five years) at fixed rental.

Minimum lease payments receivable on leases are as follows:

	30 September 2023 (unaudited) HK\$	31 March 2023 (audited) HK\$
Within one year	16,168,913	24,325,463
In the second year	1,683,358	5,328,744
In the third year	1,759,800	1,769,400
In the fourth year	1,852,500	1,755,000
In the fifth year	975,000	1,950,000
	<hr/> 22,439,571 <hr/>	<hr/> 35,128,607 <hr/>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the Period (30 September 2022: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the Period, a total revenue of the Group was approximately HK\$17.4 million, resulting a 12.6% decrease as compared to HK\$19.9 million in 2022. The Group's gross profit for the Period was HK\$5.0 million (30 September 2022: HK\$5.0 million). The loss for the period attributable to the owners of the Company was HK\$7.8 million (30 September 2022: profit of HK\$19.9 million).

The Group has recorded a HK\$0.1 million increase in fair values of investment properties located in Hong Kong during the Period (30 September 2022: HK\$36.5 million). The Group continued to take recovery action against certain occupiers who had been unlawfully occupying certain portions of agricultural land.

For the Period, the revenue and segment profit of the Cheung Chau Warwick Hotel was approximately HK\$12.2 million (30 September 2022: HK\$12.3 million) and HK\$1.7 million (30 September 2022: HK\$3.2 million), respectively. The revenue of rooms department during the Period was HK\$8.6 million, resulting a 3.4% decrease as compared to HK\$8.9 million in 2022. On the other hand, the revenue of food and beverage department was HK\$3.6 million, resulting a 5.9% increase as compared to HK\$3.4 million in 2022. The decline in segment profit of HK\$1.5 million is primarily due to the absence of government subsidies during the Period, as well as increased staff costs and utility expenses.

For the Period, the revenue and segment loss of the Group's serviced property in Beijing, the People's Republic of China (the "PRC") was approximately HK\$4.5 million (30 September 2022: HK\$6.9 million) and HK\$0.4 million (30 September 2022: HK\$5.8 million), respectively. The reduction in the segment revenue of HK\$2.4 million for the Period is a result of the reclassification of the sub-lease arrangements from operating lease to finance lease in May 2022.

For securities investment and trading, the Group recorded a net loss of approximately HK\$1.6 million for the Period (30 September 2022: HK\$6.3 million), including a decrease of HK\$2.2 million (30 September 2022: HK\$7.8 million) in fair value of financial assets at FVTPL.

Legal dispute in respect of the serviced property in Beijing

As at 30 September 2023, the Group was involved in a legal dispute in respect of the leasing of the serviced property in the PRC (the "Relevant Property") by 北京海聯物業管理有限公司 (Beijing Hai Lian Property Management Company Limited) (a subsidiary of the Company) ("Beijing Hai Lian") as tenant from landlord (the "Landlord"). The Relevant Property comprises 2 buildings, which have been sub-let by Beijing Hai Lian to independent third party

sub-tenants. It is stipulated in the relevant lease agreement entered into between Beijing Hai Lian and the Landlord that the lease has a term of 30 years expiring on 30 September 2024. The dispute arose from the disagreement on the proposed increase in the rental amount as from 1 October 2022. The Landlord has sought an order from 北京市東城區人民法院 (Beijing Dongcheng People's Court) that the lease was terminated by the Landlord with effect from August 2022 and has claimed for damages for rent calculated based on an increased level. The claims by the Landlord were dismissed by the court on 8 October 2023, but an appeal was filed by the Landlord. In connection with the litigation and up to the date of this announcement, Beijing Hai Lian and the Landlord have filed their respective pleadings with the court and the litigation is still on-going. Having taken into account the external legal advice, the Board is of the opinion that the Group has ground to defend those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group. No provision has been made in the condensed consolidated financial statements of the Group for the Period in relation to such legal claims.

Kau Wa Keng Project

On 25 January 2022, Lai Chi Kok Amusement Park Company, Limited (“LCKAP”), a wholly-owned subsidiary of the Company and Cornhill Enterprises Limited (a related company controlled by Mr. Derek Chiu and his family which holds certain portions of the application site on trust for LCKAP) (as the applicants) (collectively, the “Applicants”), have submitted an application (the “Application”) under section 16 of the Town Planning Ordinance (Chapter 131 of the laws of Hong Kong) to the Town Planning Board (the “TPB”) to seek approval for the proposed comprehensive development of various lots in Survey District No. 4 and the adjoining Government Land at Kau Wa Keng, Kwai Chung, New Territories (the “Application Site”) which is designated as Comprehensive Development Area zone under the Draft Kwai Chung Outline Zoning Plan No. S/KC/29. On 14 July 2023, the Application has been approved by the TPB subject to certain conditions. For details of the Application, please refer to the announcements of the Company dated 26 January 2022 and 14 July 2023.

The Application Site has a total site area of approximately 48,313 m² comprising about 54% private lots and about 46% Government land. The maximum development gross floor area of the Application Site is 241,522 m². The proposed development under the Master Layout Plan as approved with a total plot ratio of 5, comprises a total of 5,973 residential flats in 14 blocks of 31 to 35 storeys. For further details, please refer to the summary of the Application and the decision of the TPB on the Application published on the website of the TPB.

Considering the existing land ownership pattern and the scale of the Application Site, the development is planned to be implemented in 4 phases. In addition to the current process of acquiring and consolidating lands within the Application Site, the Group intends to submit application to Lands Department of the HKSAR for the granting of a new lease of the first phase in due course. The process will entail at various stages, assessment and negotiation of land premium and re-grant conditions. The actual timeframe of the application will depend on the specific requirements and conditions imposed by the relevant government departments.

Prospects

The uncertainties surrounding the ongoing geopolitical tensions will continue to affect our business in the years ahead. Nevertheless, the Group will continue to navigate through challenging market to improve the service quality and strengthen operational efficiency. The Group will look for appropriate investment opportunities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group had approximately 70 employees (31 March 2023: 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 30 September 2023, the Group's financial assets at FVTPL, with market value of approximately HK\$17.0 million (31 March 2023: approximately HK\$19.7 million), mainly represented investment portfolio of 17 equity securities listed in Hong Kong and 1 equity security listed in Singapore (31 March 2023: 17 equity securities listed in Hong Kong and 1 equity security listed in Singapore). The Board considers that the investments with market value as at 30 September 2023 accounting for more than 5% of the Group's total assets as at 30 September 2023 as significant investments. As at 30 September 2023, none of each investment represents 5% or more of the Group's total assets.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the Group had bank balances and cash of HK\$28,109,970 (31 March 2023: HK\$30,314,264) and no bank deposits with original maturity more than three months (31 March 2023: Nil), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 September 2023, the Group had outstanding bank loans facilities of HK\$10,547,815 (31 March 2023: HK\$11,740,184). All outstanding bank loans were denominated in Hong Kong dollars with interest at prevailing market rates, details of which are set out in note 12 to the condensed consolidated financial statements.

As at 30 September 2023, 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 30 September 2023 amounted to approximately HK\$363.9 million (31 March 2023: HK\$371.5 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 30 September 2023 was approximately 2.9% (31 March 2023: 3.2%).

CHARGES OVER ASSETS OF THE GROUP

As at 30 September 2023, certain property, plant and equipment and right-of-use assets with an aggregate carrying value of approximately HK\$27.1 million (31 March 2023: approximately HK\$28.2 million) are secured for the Group's bank borrowings.

TREASURY POLICIES

The Group had adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CONTINGENT LIABILITIES

As at 30 September 2023, the Company had issued financial guarantees of HK\$15,000,000 (31 March 2023: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$10,307,145 (31 March 2023: HK\$10,307,145) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 30 September 2023, the Group had capital commitments of HK\$275,813 (31 March 2023: HK\$275,813).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

During the Period, 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 30 September 2023, 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 Period 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 contained in Appendix 10 to the Listing Rules (the "Model Code"). 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 Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company has complied with all the code provisions of the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules (the "Code"), except for the following:

Code provision C.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 and Mr. Derek Chiu was appointed as the Chairman on 19 July 2023. 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 believes that vesting the roles of the Chairman and the Managing Director and the Chief Executive in the same person has the benefit of ensuring strong consistent leadership with the Group and enable more effective and efficient planning and implementation of business decisions and strategies. The Board also believes that it 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 four 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.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the “Audit Committee”) comprises all of the four independent non-executive Directors, namely Mr. Ng Wing Hang Patrick (chairman of the Audit Committee), Mr. Ip Shing Hing, Mr. Choy Wai Shek Raymond and Mr. Ng Chi Kin.

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 this announcement of the Company for the Period.

By order of the Board
Far East Hotels and Entertainment Limited
Derek Chiu

Executive Director, Chairman, Managing Director and Chief Executive

Hong Kong, 29 November 2023

As at the date of this announcement, the executive Directors are Mr. Derek Chiu (Chairman, 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, Mr. Choy Wai Shek Raymond and Mr. Ng Chi Kin.