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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 2024

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 2024 (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 2024

	Notes	Six months ended 30 September	
		2024 (unaudited) HK\$	2023 (unaudited) HK\$
Revenue	3	11,370,911	17,378,176
Cost of sales		(11,788,837)	(12,332,491)
Gross (loss) profit		(417,926)	5,045,685
Other income, gains or losses	5	2,596,321	(851,130)
Net (decrease) increase in fair values of investment properties		(12,660,069)	138,830
Selling expenses		(443,490)	(759,186)
Administrative expenses		(12,245,632)	(12,241,786)
Finance costs	6	(319,374)	(476,348)
Share of results of associates		339,583	336,844
Loss before tax	4	(23,150,587)	(8,807,091)
Income tax credit	7	376,823	1,056,239
Loss for the period attributable to owners of the Company		(22,773,764)	(7,750,852)

		Six months ended 30 September	
		2024	2023
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$	HK\$
Other comprehensive income (expense):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>714,352</u>	<u>(1,033,306)</u>
Total comprehensive expenses for the period attributable to owners of the Company		<u>(22,059,412)</u>	<u>(8,784,158)</u>
LOSS PER SHARE			
Basic	8	<u>(3.03) cents</u>	<u>(1.03) cents</u>
Diluted		<u>(3.03) cents</u>	<u>(1.03) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	<i>Notes</i>	30 September 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
Non-current assets			
Property, plant and equipment		25,185,557	26,469,358
Right-of-use assets		2,846,076	3,530,984
Deposits for capital expenditure		869,770	296,160
Investment properties		266,870,435	278,736,862
Interests in associates		903,454	563,871
Paintings		3,350,346	5,113,967
Deferred tax assets		1,368,318	786,169
		301,393,956	315,497,371
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		9,548,396	16,197,923
Inventories		422,787	481,750
Finance lease receivables		–	4,853,324
Trade receivables	10	742,511	691,793
Other receivables, deposits and prepayment		1,851,291	1,472,665
Demand deposits held with security broker companies		14,321,751	2,930,980
Cash and cash equivalents		13,042,954	22,178,646
		39,929,690	48,807,081
Current liabilities			
Trade and other payables and accruals	11	8,874,690	7,421,181
Contract liabilities		71,982	710,825
Rental deposits received		227,300	217,300
Amount due to an associate		522,381	287,381
Amounts due to related companies		650,501	656,056
Bank borrowings	12	8,433,757	8,433,757
Lease liabilities		2,418,055	3,692,956
Tax payable		3,070,734	3,138,295
		24,269,400	24,557,751

		30 September	31 March
		2024	2024
		(unaudited)	(audited)
	<i>Notes</i>	HK\$	HK\$
Net current assets		15,660,290	24,249,330
Total assets less current liabilities		317,054,246	339,746,701
Capital and reserves			
Share capital	13	329,138,773	329,138,773
Reserves		(13,685,375)	8,374,037
		315,453,398	337,512,810
Non-current liabilities			
Provision for long service payments		1,107,120	1,107,120
Lease liabilities		493,728	1,126,771
		1,600,848	2,233,891
		317,054,246	339,746,701

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 C1 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 2024.

The financial information relating to the year ended 31 March 2024 that is included in these unaudited condensed consolidated financial statements for the Period 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 2024 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 2024, 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 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2024 (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	5,459,986	–	5,459,986
– Food and beverages	2,723,892	–	2,723,892
Property management services	–	1,853,035	1,853,035
Total	8,183,878	1,853,035	10,036,913
Geographical markets			
Hong Kong	8,183,878	–	8,183,878
Mainland China	–	1,853,035	1,853,035
Total	8,183,878	1,853,035	10,036,913
Timing of revenue recognition			
A point in time	2,723,892	–	2,723,892
Over time	5,459,986	1,853,035	7,313,021
Total	8,183,878	1,853,035	10,036,913

Six months ended 30 September 2023 (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	8,579,574	–	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

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						
2024 (unaudited)						
Revenue	<u>8,183,878</u>	<u>1,853,035</u>	<u>541,767</u>	<u>792,231</u>	<u>–</u>	<u>11,370,911</u>
Segment (loss) profit	<u>(202,183)</u>	<u>(8,648,876)</u>	<u>(15,043,000)</u>	<u>568,121</u>	<u>4,720,725</u>	<u>(18,605,213)</u>
Unallocated other income, gains and losses						1,061,461
Unallocated expenses						(5,659,698)
Unallocated finance costs						(286,720)
Share of results of associates						<u>339,583</u>
Loss before tax						<u>(23,150,587)</u>
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>

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	8,725,645	12,544,540
Mainland China	1,853,035	4,461,930
Overseas	792,231	371,706
	<u>11,370,911</u>	<u>17,378,176</u>

4. LOSS BEFORE TAX

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Loss before tax has been arrived at after charging:		
Auditor's remuneration	652,500	640,000
Cost of inventories recognised as an expense	1,326,199	1,622,628
Depreciation of property, plant and equipment	1,393,542	1,382,385
Depreciation of right-of-use assets	685,876	785,360
Directors' remuneration and other staff costs:		
– Salaries and other allowances	6,883,111	8,289,957
– Retirement benefit schemes contributions	506,178	523,208
– Share-based payment expenses	–	–
	<u>7,389,289</u>	<u>8,813,165</u>

5. OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Dividend income from financial assets at FVTPL	439,782	583,062
Change in fair value of financial assets at FVTPL	4,275,907	(2,217,308)
Bank interest income	55,538	36,498
Finance lease interest income	25,764	699,832
Gain on disposal of paintings	1,017,987	–
Impairment loss recognized in respect of finance lease receivables	(3,215,816)	–
(Loss) gain on disposal of property, plant and equipment	(2,841)	46,786
	<u>2,596,321</u>	<u>(851,130)</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	HK\$	HK\$
Interests on borrowings	243,982	303,088
Interests on lease liabilities	75,392	173,260
	<u>319,374</u>	<u>476,348</u>

7. INCOME TAX CREDIT

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 2023: 25%).

8. 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 Period of HK\$22,773,764 (30 September 2023: HK\$7,750,852) and the number of shares as calculated below:

	Six months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of dilutive loss per share	<u>752,529,810</u>	<u>751,983,362</u>

The computation of the diluted loss per share for the six months ended 30 September 2024 and 2023 did not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

9. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the Period (30 September 2023: Nil).

10. TRADE RECEIVABLES

Trade debtors mainly comprise receivables 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 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
Trade receivables		
– contracts with customers	201,218	216,290
– leases	541,293	475,503
	<u>742,511</u>	<u>691,793</u>

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 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
0–30 days	742,511	691,793

No balance was past due as at 30 September 2024 and 31 March 2024.

Trade receivables aged over 30 days are normally past due.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
Trade payables	372,534	389,346
Other payables and accruals	8,391,118	6,919,960
Rental receipt in advance	111,038	111,875
	<u>8,874,690</u>	<u>7,421,181</u>

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

	30 September 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
0–30 days	202,276	151,604
31–60 days	156,754	189,916
Over 60 days	13,504	47,826
	<u>372,534</u>	<u>389,346</u>

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

Included in the other payables and accruals of HK\$3,053,047 (31 March 2024: HK\$1,802,172) related to accrued professional fees.

12. BANK BORROWINGS

	30 September 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
The secured bank borrowings are repayable as follows:		
– Within one year*	<u>8,433,757</u>	<u>8,433,757</u>
Carrying amount of secured bank borrowing that contain a repayment on demand clause (shown under current liabilities) but payable:		
– Within one year	<u>8,433,757</u>	<u>8,433,757</u>
	8,433,757	8,433,757
Less: Amount due within one year shown under current liabilities	<u>(8,433,757)</u>	<u>(8,433,757)</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 Hong Kong Interbank Offered Rate plus 1.3% ranged from 5.30% to 6.03% (30 September 2023: 3.13% to 4.90%).

13. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2023	748,529,810	327,866,573
Exercise of share options (<i>note a</i>)	<u>4,000,000</u>	<u>1,272,200</u>
At 31 March 2024, 1 April 2024 and 30 September 2024	<u><u>752,529,810</u></u>	<u><u>329,138,773</u></u>

Note:

- a. During the year ended 31 March 2024, 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 2024: one to five years) at fixed rental.

Minimum lease payments receivable on leases are as follows:

	30 September 2024 (unaudited) HK\$	31 March 2024 (audited) HK\$
Within one year	1,864,679	2,010,379
In the second year	1,906,071	1,917,671
In the third year	1,998,771	1,901,271
In the fourth year	1,121,271	2,096,271
In the fifth year	475,381	548,516
	<hr/> 7,366,173 <hr/> <hr/>	<hr/> 8,474,108 <hr/> <hr/>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the Period (30 September 2023: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the Period, a total revenue of the Group was approximately HK\$11.4 million, resulting a 34.5% decrease as compared to HK\$17.4 million in 2023. The Group's gross loss for the Period was HK\$0.4 million (30 September 2023: gross profit of HK\$5.0 million). The loss for the period attributable to the owners of the Company was HK\$22.8 million (30 September 2023: HK\$7.8 million).

For the Cheung Chau Warwick Hotel, the Group recorded a total revenue of approximately HK\$8.2 million (30 September 2023: HK\$12.2 million) and a net loss of HK\$0.2 million for the Period (30 September 2023: net profit of HK\$1.7 million). The revenue of rooms department during the Period was HK\$5.5 million, resulting a 36.0% decrease as compared to HK\$8.6 million in 2023. The revenue of food and beverages department during the Period was HK\$2.7 million, resulting a 25.0% decrease as compared to HK\$3.6 million in 2023.

For the serviced property in Beijing, the People's Republic of China (the "PRC"), the Group recorded a total revenue of approximately HK\$1.9 million (30 September 2023: HK\$4.5 million) resulting a net loss of HK\$8.6 million (30 September 2023: HK\$0.4 million). The significant loss was primarily attributed to (i) a decline in revenue resulting from the expiry of leases; (ii) substantial legal and professional fees amounting to HK\$1.9 million (30 September 2023: HK\$0.3 million) related to the legal dispute concerning the serviced property in Beijing; and (iii) an impairment loss on finance lease receivables of HK\$3.2 million for the Period. For further details, please refer to the "Legal dispute in respect of the serviced property in Beijing" section on page 16.

For the investment properties located in Hong Kong, the Group recorded a total revenue of approximately HK\$0.5 million (30 September 2023: HK\$0.4 million) and a net loss of HK\$15.0 million for the Period (30 September 2023: HK\$2.3 million). The significant segment loss was mainly due to a decrease of HK\$12.7 million (30 September 2023: increase of HK\$0.1 million) in fair values of investment properties.

For the investment properties located in Fiji, the Group recorded a total revenue of approximately HK\$0.8 million (30 September 2023: HK\$0.4 million) and a net profit of HK\$0.6 million (30 September 2023: HK\$0.4 million).

For securities investment and trading, the Group recorded a net profit of approximately HK\$4.7 million for the Period (30 September 2023: loss of HK\$1.6 million), including an increase of HK\$4.3 million (30 September 2023: decrease of HK\$2.2 million) in fair value of financial assets at FVTPL and dividend income from financial assets at FVTPL of HK\$0.4 million (30 September 2023: HK\$0.6 million).

Legal dispute in respect of the serviced property in Beijing

As at 30 September 2024, 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 expired on 30 September 2024 and that Beijing Hai Lian is entitled to renew the lease for a further term of 20 years based on the same terms. 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 that Beijing Hai Lian shall vacate the Relevant Property and pay an increased rent during the period from 1 October 2022 to the date of actual vacating of the Relevant Property. The claims by the Landlord were dismissed by the court on 8 October 2023 and the appeal filed by the Landlord was also dismissed by 北京市第三中級人民法院 (Beijing No. 3 Intermediate People’s Court) on 26 April 2024.

Despite the abovementioned outcome of the legal actions taken out by the Landlord, the Landlord subsequently issued written notices to Beijing Hai Lian requesting Beijing Hai Lian to deliver the possession of the Relevant Property to the Landlord by 30 June 2024. The Company has obtained legal advice from its external legal advisers and taken legal actions against the Landlord for, among others, the losses of Beijing Hai Lian as a result of the Landlord’s failure to renew the lease, the costs and expenses previously incurred by Beijing Hai Lian for the re-development, extension and refurbishment of the Relevant Property. In view that the dispute with the Landlord, Beijing Hai Lian did not renew one of the sub-tenancy which expired on 31 May 2024 and may early terminate the other sub-tenancy which will otherwise expire on 31 December 2026 (for which provision in the amount approximately HK\$2.2 million has been made in the audited consolidated financial statements for the financial year ended 31 March 2023 in relation to the probable compensation payable to such sub-tenant).

As at 30 September 2024, the Group’s finance lease receivables of HK\$3.2 million were overdue over 3 months. The Group has taken legal action against the sub-tenant to demand the repayment of outstanding rent and damages in November 2024. In view of the aforesaid, the management has assessed the expected credit losses (“ECL”) of the finance lease receivables at the end of the reporting period and provision of ECL of HK\$3.2 million has been recognized as at 30 September 2024.

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 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 30 September 2024, the Group had approximately 60 employees (31 March 2024: 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 2024, the Group's financial assets at FVTPL, with market value of approximately HK\$9.5 million (31 March 2024: approximately HK\$16.2 million), mainly represented investment portfolio of 13 equity securities listed in Hong Kong and 1 equity security listed in Singapore (31 March 2024: 14 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 2024 accounting for more than 5% of the Group's total assets as at 30 September 2024 as significant investments. As at 30 September 2024, 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 2024, the Group had bank balances and cash of HK\$13.0 million (31 March 2024: HK\$22.2 million), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 September 2024, the Group had outstanding bank loans facilities of HK\$8.4 million (31 March 2024: HK\$8.4 million). 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 2024, 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 2024 amounted to approximately HK\$315.5 million (31 March 2024: HK\$337.5 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 30 September 2024 was approximately 2.7% (31 March 2024: 2.5%).

CHARGES OVER ASSETS OF THE GROUP

As at 30 September 2024, certain property, plant and equipment and right-of-use assets with an aggregate carrying value of approximately HK\$10.5 million (31 March 2024: approximately HK\$10.7 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 2024, the Company had issued financial guarantees of HK\$15.0 million (31 March 2024: HK\$15.0 million) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$8.4 million (31 March 2024: HK\$8.4 million) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 30 September 2024, the Group had capital commitments of HK\$0.3 million (31 March 2024: HK\$0.3 million).

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 2024, 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 C3 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 C1 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.

Mr. Derek Chiu, an executive Director, the Managing Director and the Chief Executive was appointed as the chairman of the Board (the “Chairman”) on 19 July 2023. 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, with the 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.

COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

As disclosed in an announcement of the Company dated 12 November 2024, following the passing away of Mr. Ng Wing Hang Patrick as an independent non-executive Director, the chairman of the audit committee (the “Audit Committee”) and a member of the nomination committee and the remuneration committee of the Board on 9 November 2024, the number of independent non-executive Directors falls short of the minimum number required under Rule 3.10(1) of the Listing Rules and the number of members in the Audit Committee fails to meet the requirement under Rule 3.21 of the Listing Rules.

The Company will seek to appoint a new independent non-executive Director and to fill the vacancy of the committees of the Board as soon as practicable and within three months as stipulated under Rules 3.11 and 3.23 of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises all of the independent non-executive Directors, 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, 28 November 2024

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. Choy Wai Shek Raymond and Mr. Ng Chi Kin.