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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 2022

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 2022 (the “Year”) 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 2022

	Notes	2022 HK\$	2021 HK\$
Revenue	2	51,070,156	49,691,581
Cost of sales		<u>(26,396,703)</u>	<u>(23,142,330)</u>
Gross profit		24,673,453	26,549,251
Other income		1,805,488	2,859,574
Other gains or losses	3	(8,224,436)	9,832,855
Net increase (decrease) in fair values of investment properties		60,151,148	(11,121,449)
Administrative expenses		(24,238,886)	(18,051,171)
Selling expenses		(1,279,441)	(1,014,048)
Finance costs	4	(1,257,809)	(1,587,764)
Share of results of associates		<u>559,046</u>	<u>630,841</u>
Profit before tax	7	52,188,563	8,098,089
Income tax credit (expense)	5	<u>1,793,681</u>	<u>(207,093)</u>
Profit for the year attributable to owners of the Company		<u>53,982,244</u>	<u>7,890,996</u>

	<i>Notes</i>	2022 HK\$	2021 <i>HK\$</i>
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>2,257,689</u>	<u>7,902,150</u>
Total comprehensive income for the year attributable to owners of the Company		<u>56,239,933</u>	<u>15,793,146</u>
EARNINGS PER SHARE			
Basic (HK cents)	6	<u>7.36</u>	<u>1.29</u>
Diluted (HK cents)		<u>7.27</u>	<u>1.29</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	<i>Notes</i>	2022 HK\$	2021 <i>HK\$</i>
Non-current assets			
Property, plant and equipment		29,845,335	31,695,028
Right-of-use assets		3,124,905	4,115,252
Deposits for capital expenditure		334,958	359,230
Investment properties		322,382,611	267,675,776
Interests in associates		647,716	988,670
Finance lease receivables		6,923,075	–
Paintings		4,423,846	4,403,210
		<u>367,682,446</u>	<u>309,237,166</u>
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		22,612,546	28,962,867
Inventories		284,072	260,431
Finance lease receivables		5,508,059	–
Trade receivables	8	1,423,630	1,732,288
Other receivables, deposits and prepayment		2,011,898	1,296,554
Bank deposits		6,169,031	15,380,975
Demand deposits held with security broker companies		4,964,817	5,221,707
Bank balances and cash		22,703,497	27,022,281
		<u>65,677,550</u>	<u>79,877,103</u>
Current liabilities			
Trade and other payables and accruals	9	9,816,603	9,196,395
Contract liabilities		295,864	353,190
Rental deposits received		104,400	128,200
Amount due to an associate		318,381	810,381
Amounts due to related companies		671,051	672,551
Bank borrowings		14,982,707	16,776,772
Lease liabilities		6,761,074	7,783,595
Tax payable		2,201,144	1,973,490
		<u>35,151,224</u>	<u>37,694,574</u>
Net current assets		<u>30,526,326</u>	<u>42,182,529</u>
Total assets less current liabilities		<u>398,208,772</u>	<u>351,419,695</u>

	<i>Notes</i>	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Capital and reserves			
Share capital	10	325,964,479	325,837,279
Reserves		<u>56,865,241</u>	<u>(472,284)</u>
		<u>382,829,720</u>	<u>325,364,995</u>
Non-current liabilities			
Deferred taxation		4,084,173	6,326,612
Provision for long service payments		717,884	627,173
Bank borrowings		1,431,716	4,233,909
Lease liabilities		<u>9,145,279</u>	<u>14,867,006</u>
		<u>15,379,052</u>	<u>26,054,700</u>
		<u><u>398,208,772</u></u>	<u><u>351,419,695</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, Hong Kong Accounting Standard (“HKAS”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures*.

As at 1 April 2021, the Group has a bank loan amounting to HK\$14,053,920, with interest rate which is based on Hong Kong Interbank Offered Rate, the interest of which is indexed to benchmark rate that may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the Year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost, if any.

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 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

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

² Effective for annual periods beginning on or after 1 January 2023

³ 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	2022		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	15,991,432	–	15,991,432
– Food and beverages	6,443,902	–	6,443,902
Property management services	–	1,622,572	1,622,572
Total	22,435,334	1,622,572	24,057,906
Geographical markets			
Hong Kong	22,435,334	–	22,435,334
Mainland China	–	1,622,572	1,622,572
Total	22,435,334	1,622,572	24,057,906
Timing of revenue recognition			
A point in time	6,443,902	–	6,443,902
Over time	15,991,432	1,622,572	17,614,004
Total	22,435,334	1,622,572	24,057,906

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

(ii) Performance obligations from contracts with customers

Hotel operation

For income from hotel rooms 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

	2022	2021
	HK\$	HK\$
For operating leases:		
Lease payments that are fixed	27,012,250	30,746,285

(b) Segment information

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

	2022	2021
	HK\$	HK\$
Hotel operation in Hong Kong		
– Hotel rooms revenue	15,991,432	13,370,953
– Food and beverages	6,443,902	4,609,962
Serviced property letting in the Mainland China		
– Property management services	1,622,572	964,381
Revenue from contracts with customers	24,057,906	18,945,296
Serviced property letting in the Mainland China	26,098,121	29,911,913
Property investment in Hong Kong	914,129	834,372
Gross rental income from properties	27,012,250	30,746,285
Total revenue	51,070,156	49,691,581

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

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

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

Segment revenue and results

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

	2022					
	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	Property investment in Hong Kong HK\$	Property investment overseas HK\$	Securities investment and trading HK\$	Total HK\$
Revenue	<u>22,435,334</u>	<u>27,720,693</u>	<u>914,129</u>	<u>-</u>	<u>-</u>	<u>51,070,156</u>
Segment profit (loss)	<u>3,813,579</u>	<u>(6,523,103)</u>	<u>73,426,583</u>	<u>1,685,076</u>	<u>(6,769,319)</u>	65,632,816
Unallocated other gain and losses						(120,000)
Unallocated other income						86
Unallocated expenses						(13,454,252)
Unallocated finance costs						(429,133)
Share of results of associates						<u>559,046</u>
Profit before tax						<u>52,188,563</u>
	2021					
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>	19,022,584
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>

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 income, 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 and 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:

	2022	2021
	HK\$	HK\$
Customer A	N/A ¹	6,475,810
Customer B	<u>25,646,630</u>	<u>24,300,484</u>
	<u>25,646,630</u>	<u>30,776,294</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group

Segment assets and liabilities

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

	2022	2021
	HK\$	HK\$
Segment assets		
Hotel operation in Hong Kong	20,718,434	23,039,855
Serviced property letting in the Mainland China	79,979,495	97,029,556
Property investment in Hong Kong	251,006,479	172,198,032
Property investment overseas	29,319,275	27,605,586
Securities investment and trading	27,625,682	34,195,615
	<hr/>	<hr/>
Total segment assets	408,649,365	354,068,644
Paintings	4,423,846	4,403,210
Other unallocated assets	20,286,785	30,642,415
	<hr/>	<hr/>
Consolidated assets	433,359,996	389,114,269
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Hotel operation in Hong Kong	2,592,031	2,762,936
Serviced property letting in the Mainland China	26,631,404	33,698,344
Property investment in Hong Kong	1,271,315	1,196,098
Property investment overseas	173,398	140,392
Securities investment and trading	150,000	150,000
	<hr/>	<hr/>
Total segment liabilities	30,818,148	37,947,770
Bank borrowings	16,414,423	21,010,681
Lease liabilities	1,294,744	2,041,198
Other unallocated liabilities	2,002,961	2,749,625
	<hr/>	<hr/>
Consolidated liabilities	50,530,276	63,749,274
	<hr/> <hr/>	<hr/> <hr/>

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 amounts 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:

2022	Hotel	Serviced	Property	Property	Securities	Segment total	Unallocated	Total
	operation in	letting in the	investment in	investment	investment			
	Hong Kong	Mainland	Hong Kong	overseas	and trading	HK\$	HK\$	HK\$
	HK\$	HK\$	HK\$	HK\$	HK\$			
Additions of property, plant and equipment	859,287	-	-	-	-	859,287	34,048	893,335
Additions of right-of-use assets	-	-	-	-	-	-	576,634	576,634
Additions of investment properties	-	4,012,474	12,600	29,110	-	4,054,184	-	4,054,184
Depreciation of property, plant and equipment	2,082,359	206,416	-	-	-	2,288,775	495,127	2,783,902
Depreciation of right-of-use assets	28,016	236,005	-	-	-	264,021	1,333,421	1,597,442
Decrease (increase) in fair values of investment properties	-	20,547,423	(78,850,803)	(1,847,768)	-	(60,151,148)	-	(60,151,148)
Finance costs	-	828,676	-	-	-	828,676	429,133	1,257,809
Decrease in fair values of financial assets at FVTPL	-	-	-	-	8,104,436	8,104,436	-	8,104,436
	<u> </u>							
2021								
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>							

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	
	2022	2021	2022	2021
	HK\$	HK\$	HK\$	HK\$
Hong Kong	23,349,463	18,815,287	286,711,195	210,707,700
Mainland China	27,720,693	30,876,294	52,483,140	71,725,157
Overseas	–	–	28,488,111	26,804,309
	51,070,156	49,691,581	367,682,446	309,237,166

3. OTHER GAINS OR LOSSES

	2022	2021
	HK\$	HK\$
(Decrease) increase in fair values of financial assets at FVTPL	(8,104,436)	9,959,464
Write-off in respect of other receivables	(120,000)	–
Loss on disposal of property, plant and equipment	–	(126,609)
	(8,224,436)	9,832,855

4. FINANCE COSTS

	2022	2021
	HK\$	HK\$
Interests on borrowings	357,438	524,872
Interests on lease liabilities	900,371	1,062,892
	1,257,809	1,587,764

5. INCOME TAX (CREDIT) EXPENSE

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Current tax:		
Mainland China	<u>335,255</u>	<u>2,035,936</u>
Under(over) provision in prior year:		
Mainland China	376,477	361,021
Fiji	<u>(3,028)</u>	<u>(178,358)</u>
	<u>373,449</u>	<u>182,663</u>
Deferred taxation	<u>(2,502,385)</u>	<u>(2,011,506)</u>
	<u><u>(1,793,681)</u></u>	<u><u>207,093</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 PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the profit for the Year of HK\$53,982,244 (2021: HK\$7,890,996) and the number of shares as calculated below.

	2022	2021
Weighted average number of ordinary shares for the purpose of basic earnings per share	732,992,536	614,057,035
Effect of dilutive potential ordinary shares options	<u>9,423,075</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>742,415,611</u></u>	<u><u>614,057,035</u></u>

The computation of the diluted earnings per share for the Year was calculated by adjusting the weighted average number of ordinary shares assuming conversion of all dilutive potential ordinary shares.

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.

7. PROFIT BEFORE TAX

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Profit before tax has been arrived at after charging:		
Auditor's remuneration		
– audit service	1,280,000	1,180,000
– non-audit services	25,000	25,000
Cost of inventories recognised as an expense	3,640,260	2,842,609
Depreciation of property, plant and equipment	2,783,902	2,747,753
Depreciation of right-of-use assets	1,597,442	821,919
Staff costs:		
Directors' remuneration	2,908,463	2,065,902
Other staff:		
– Salaries and other allowances	13,850,266	12,170,167
– Retirement benefit schemes contributions	1,124,829	782,943
– Share-based payment	96,680	–
	<u>15,071,775</u>	<u>12,953,110</u>
and crediting:		
Interest income		
– Bank deposits (included in other income)	147,758	148,130
– Finance lease (included in revenue)	172,635	–
	<u>320,393</u>	<u>148,130</u>
Dividend income from financial assets at FVTPL (included in other income)	1,335,095	290,767
Government grants (included in other income)	150,000	2,420,677
	<u><u>1,485,490</u></u>	<u><u>2,861,574</u></u>

During the Year, the Group recognised government grants of HK\$150,000 (2021: HK\$2,420,677) in respect of Covid-19 related subsidies, of which Nil (2021: HK\$1,670,677) relates to 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.

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Trade receivables		
– contracts with customers	696,819	108,555
– leases	726,811	1,623,733
	<u>1,423,630</u>	<u>1,732,288</u>

As at 1 April 2020, trade receivables from contracts with customers amounted to HK\$165,714.

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.

	2022	2021
	HK\$	HK\$
0-30 days	710,423	666,044
31-60 days	13,282	250,801
Over 60 days	699,925	815,443
	<u>1,423,630</u>	<u>1,732,288</u>

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$713,207 (2021: HK\$1,066,244) 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 2022, included in the Group's trade receivables is an unsecured amount due from the Group's related company of HK\$658,411 (2021: HK\$776,005). An amount of HK\$658,411 (2021: HK\$776,005) 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

	2022	2021
	HK\$	HK\$
Trade payables	414,149	379,878
Other payables and accruals	5,222,878	4,814,170
Rental receipt in advance	4,179,576	4,002,347
	<u>9,816,603</u>	<u>9,196,395</u>

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

	2022	2021
	HK\$	HK\$
0-30 days	135,003	194,685
31-60 days	245,475	157,046
Over 60 days	33,671	28,147
	<u>414,149</u>	<u>379,878</u>

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

Included in the other payables and accruals of HK\$1,640,104 (2021: HK\$2,233,838) related to accrued professional fees.

10. SHARE CAPITAL

	Number of	HK\$
	shares	HK\$
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2020	610,710,675	312,890,213
Issue of new shares pursuant to a placing agreement (<i>note a</i>)	<u>122,142,135</u>	<u>12,947,066</u>
At 31 March 2021	732,852,810	325,837,279
Exercise of share options (<i>note b</i>)	<u>1,000,000</u>	<u>127,200</u>
At 31 March 2022	<u>733,852,810</u>	<u>325,964,479</u>

Notes:

- (a) 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 and rank pari passu with other shares in issue in all respects.

- (b) During the Year, 1,000,000 shares have been issued at a consideration of HK\$127,200 by virtue of the exercise of share options under the Company's share option scheme adopted on 2 September 2016.

11. DIVIDENDS

No dividends were paid or proposed during the years ended 31 March 2022 and 2021, 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 (2021: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 9 September 2022 and the notice of AGM will be published and despatched to the shareholders of the Company (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 Tuesday, 6 September 2022 to Friday, 9 September 2022, 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 Monday, 5 September 2022.

REVIEW OF OPERATIONS AND PROSPECTS

For the Year, a total revenue of the Group was approximately HK\$51.1 million, representing an increase of 2.8% from approximately HK\$49.7 million in 2021. The Group’s gross profit for the Year was approximately HK\$24.7 million, which results in a 7.1% decrease from the gross profit of approximately HK\$26.5 million in 2021. The profit for the year attributable to the owners of the Company was approximately HK\$54.0 million (2021: HK\$7.9 million).

The Group has recorded a significant increase of approximately HK\$78.9 million in fair values of investment properties located in Hong Kong during the year under review (2021: HK\$14.5 million). In an effort to reduce the risk of dispossession, the Group continued to take action by removing certain occupiers or by entering into rental agreements with certain occupiers who had been occupying certain plots of agricultural land in previous years. As a result, the fair values of the agricultural land of HK\$75.7 million was recognised and credited to profit or loss for the Year.

For the year under review, the revenue and segment profits of the Cheung Chau Warwick Hotel amounted to approximately HK\$22.4 million (2021: HK\$18.0 million) and HK\$3.8 million (2021: HK\$4.1 million), respectively. The hotel maintained its occupancy rate at around 75% (2021: 75%) with higher average room rate, which have led to a 19.6% increase in revenue for rooms department during the Year. Following partial and ongoing relaxation of government-imposed social distancing measures, the hotel has adjusted its operational model and raised the upper limits on the total capacity of the restaurant, as well as extending the operating hours to capture the rising demands for dine-in services and festive celebrations. As a result, hotel’s food and beverages department recorded an increase of 39.8% in revenue during the Year.

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\$27.7 million (2021: HK\$30.9 million) with a loss of approximately HK\$6.5 million (2021: HK\$3.6 million). The loss was mainly attributable to the decrease in fair values of approximately HK\$20.5 million of the leased properties under sublease during the Year (2021: HK\$22.7 million).

For securities investment and trading, the Group recorded a loss of approximately HK\$6.8 million for the Year (2021: profit of HK\$10.2 million), which included a decrease of approximately HK\$8.1 million (2021: increase of HK\$10.0 million) in fair values of financial assets at FVTPL.

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) (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 which is designated as Comprehensive Development Area zone under the Draft Kwai Chung Outline Zoning Plan No. S/KC/29. The Applicants have submitted further information to the TPB in February, March, May and June 2022. For details of the Application, please refer to the announcement of the Company dated 26 January 2022 and the summary of the Application published on the website of the TPB.

The uncertainties surrounding the ongoing pandemic, geopolitical tensions and travel restrictions 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 31 March 2022, the Group has approximately 70 employees (2021: 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 2022, the Group's financial assets at FVTPL, with market value of approximately HK\$22.6 million (2021: approximately HK\$29.0 million), mainly represented investment portfolio of 20 equity securities listed in Hong Kong and 1 equity security listed in Singapore (2021: 29 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 2022 accounting for more than 5% of the Group's total assets as at 31 March 2022 as significant investments. As at 31 March 2022, none of each investment represents 5% or more of the Group's total assets.

Save as the above, during the Year, 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 2022, the Group had bank balances and cash of HK\$22,703,497 (2021: HK\$27,022,281), bank deposits with original maturity more than three months of HK\$6,169,031 (2021: HK\$15,380,975), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 March 2022, there were outstanding bank loans facilities of HK\$16,414,423 (2021: HK\$21,010,681). All of outstanding bank loans were denominated in Hong Kong dollars with interest at prevailing market rates.

As at 31 March 2022, 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 2022 amounted to approximately HK\$382.8 million (2021: HK\$325.4 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 31 March 2022 was approximately 4.3% (2021: 6.5%).

CHARGES OVER ASSETS OF THE GROUP

As at 31 March 2022, certain property, plant and equipment and right-of-use assets with an aggregate carrying value of approximately HK\$29.4 million (2021: approximately HK\$31.1 million) are secured for the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 31 March 2022, the Company had issued financial guarantees of HK\$15,000,000 (2021: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$12,180,533 (2021: HK\$14,053,920) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 31 March 2022, the Group had capital commitments of HK\$275,813 (2021: HK\$815,046).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

During the Year, 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 2022, 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 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.

USE OF PROCEEDS FROM PLACING

The net proceeds from the placing of shares under general mandate in March 2021 (the "Placing") after deducting the placing commission and other related expenses and professional fees, was amounted to approximately HK\$12.7 million. Net proceeds from the Placing 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. The table below sets out the proposed application and the actual usage of the net proceeds from the Placing as at 31 March 2022 as follows:

	Planned use of net proceeds (HK\$)	Unused net proceeds as at 1 April 2021 (HK\$)	Actual use of the net proceeds during the Year (HK\$)	Unused net proceeds as at 31 March 2022 (HK\$)	Expected time frame of full utilisation of unused net proceeds
General working capital	<u>12.7 million</u>	<u>12.7 million</u>	<u>10.2 million</u>	<u>2.5 million</u>	By 30 June 2022

CORPORATE GOVERNANCE

Throughout the Year, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “Code”) in force during the Year, 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 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 2022 and 2021 included in this preliminary announcement of final results for the Year 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 2021 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 in due course.

The Company’s independent auditor has reported on the consolidated financial statements of the Group for both years. 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 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. 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, 29 June 2022

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.