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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 2023

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 2023 (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 2023

	NOTES	2023 HK\$	2022 HK\$
Revenue	2	37,166,269	51,070,156
Cost of sales		(31,258,387)	(26,396,703)
Gross profit		5,907,882	24,673,453
Other income		5,816,020	1,805,488
Other gains or losses	3	(3,407,076)	(8,224,436)
Net increase in fair values of investment properties		5,572,740	60,151,148
Administrative expenses		(20,810,626)	(24,238,886)
Selling expenses		(1,352,812)	(1,279,441)
Finance costs	4	(1,049,773)	(1,257,809)
Share of results of associates		590,385	559,046
(Loss) profit before tax	7	(8,733,260)	52,188,563
Income tax credit	5	787,071	1,793,681
(Loss) profit for the year attributable to owners of the Company		(7,946,189)	53,982,244

	<i>NOTES</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Other comprehensive (expense) income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(5,325,559)</u>	<u>2,257,689</u>
Total comprehensive (expense) income for the year attributable to owners of the Company		<u>(13,271,748)</u>	<u>56,239,933</u>
(LOSS) EARNINGS PER SHARE			
Basic (<i>HK cents</i>)	6	<u>(1.06)</u>	<u>7.36</u>
Diluted (<i>HK cents</i>)		<u>(1.06)</u>	<u>7.27</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

		2023	2022
	NOTES	HK\$	HK\$
Non-current assets			
Property, plant and equipment		28,444,572	29,845,335
Right-of-use assets		2,790,429	3,124,905
Deposits for capital expenditure		956,512	334,958
Investment properties		288,490,803	322,382,611
Interests in associates		788,101	647,716
Finance lease receivables		6,376,159	6,923,075
Paintings		4,386,582	4,423,846
		<u>332,233,158</u>	<u>367,682,446</u>
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		19,736,940	22,612,546
Inventories		316,840	284,072
Finance lease receivables		19,401,938	5,508,059
Trade receivables	8	430,560	1,423,630
Other receivables, deposits and prepayment		2,139,736	2,011,898
Bank deposits		–	6,169,031
Demand deposits held with security broker companies		3,104,387	4,964,817
Bank balances and cash		30,314,264	22,703,497
		<u>75,444,665</u>	<u>65,677,550</u>
Current liabilities			
Trade and other payables and accruals	9	8,254,151	9,816,603
Contract liabilities		125,971	295,864
Rental deposits received		105,300	104,400
Amount due to an associate		737,381	318,381
Amounts due to related companies		668,906	671,051
Bank borrowings		11,740,184	14,982,707
Lease liabilities		6,581,696	6,761,074
Tax payable		2,361,244	2,201,144
		<u>30,574,833</u>	<u>35,151,224</u>
Net current assets		<u>44,869,832</u>	<u>30,526,326</u>
Total assets less current liabilities		<u><u>377,102,990</u></u>	<u><u>398,208,772</u></u>

	<i>NOTES</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Capital and reserves			
Share capital	10	327,866,573	325,964,479
Reserves		43,593,493	56,865,241
		<u>371,460,066</u>	<u>382,829,720</u>
Non-current liabilities			
Deferred taxation		2,202,310	4,084,173
Provision for long service payments		681,808	717,884
Bank borrowings		–	1,431,716
Lease liabilities		2,758,806	9,145,279
		<u>5,642,924</u>	<u>15,379,052</u>
		<u>377,102,990</u>	<u>398,208,772</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to Hong Kong Accounting Standard (“HKAS 16”)	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue

(i) Disaggregation of revenue from contracts with customers

Segments	2023		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	16,397,388	–	16,397,388
– Food and beverages	7,748,803	–	7,748,803
Property management services	–	6,642,785	6,642,785
Total	24,146,191	6,642,785	30,788,976
Geographical markets			
Hong Kong	24,146,191	–	24,146,191
Mainland China	–	6,642,785	6,642,785
Total	24,146,191	6,642,785	30,788,976
Timing of revenue recognition			
A point in time	7,748,803	–	7,748,803
Over time	16,397,388	6,642,785	23,040,173
Total	24,146,191	6,642,785	30,788,976

Segments	2022		Total <i>HK\$</i>
	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	
Types of goods or services			
Hotel operation			
– Hotel rooms revenue	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

(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*

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
For operating leases:		
Lease payments that are fixed	<u>6,377,293</u>	<u>27,012,250</u>

(b) **Segment information**

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Hotel operation in Hong Kong		
– Hotel rooms revenue	16,397,388	15,991,432
– Food and beverages	7,748,803	6,443,902
Serviced property letting in the Mainland China		
– Property management services	<u>6,642,785</u>	<u>1,622,572</u>
Revenue from contracts with customers	<u>30,788,976</u>	<u>24,057,906</u>
Serviced property letting in the Mainland China	4,900,491	26,098,121
Property investment in Hong Kong	841,951	914,129
Property investment overseas	<u>634,851</u>	<u>–</u>
Gross rental income from properties	<u>6,377,293</u>	<u>27,012,250</u>
Total revenue	<u>37,166,269</u>	<u>51,070,156</u>

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:

	2023					
	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	24,146,191	11,543,276	841,951	634,851	–	37,166,269
Segment profit (loss)	5,174,094	(9,892,886)	7,528,483	857,653	(399,915)	3,267,429
Unallocated other gains and losses						(11,513)
Unallocated other income						235,717
Unallocated expenses						(12,292,028)
Unallocated finance costs						(523,250)
Share of results of associates						590,385
Loss before tax						(8,733,260)
	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	22,435,334	27,720,693	914,129	–	–	51,070,156
Segment profit (loss)	3,813,579	(6,523,103)	73,426,583	1,685,076	(6,769,319)	65,632,816
Unallocated other gains and losses						(120,000)
Unallocated other income						86
Unallocated expenses						(13,454,252)
Unallocated finance costs						(429,133)
Share of results of associates						559,046
Profit before tax						52,188,563

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:

	2023	2022
	HK\$	HK\$
Customer A	9,052,912	25,646,630

Segment assets and liabilities

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

	2023	2022
	HK\$	HK\$
Segment assets		
Hotel operation in Hong Kong	23,279,027	20,718,434
Serviced property letting in the Mainland China	48,208,667	79,979,495
Property investment in Hong Kong	260,873,680	251,006,479
Property investment overseas	30,156,474	29,319,275
Securities investment and trading	22,859,352	27,625,682
Total segment assets	385,377,200	408,649,365
Paintings	4,386,582	4,423,846
Other unallocated assets	17,914,041	20,286,785
Consolidated assets	407,677,823	433,359,996
Segment liabilities		
Hotel operation in Hong Kong	2,202,629	2,592,031
Serviced property letting in the Mainland China	16,300,914	26,631,404
Property investment in Hong Kong	1,549,125	1,271,315
Property investment overseas	323,608	173,398
Securities investment and trading	150,000	150,000
Total segment liabilities	20,526,276	30,818,148
Bank borrowings	11,740,184	16,414,423
Unallocated lease liabilities	1,094,123	1,294,744
Other unallocated liabilities	2,857,174	2,002,961
Consolidated liabilities	36,217,757	50,530,276

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:

2023	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\$	Segment total HK\$	Unallocated HK\$	Total HK\$
Additions of property, plant and equipment	1,398,448	-	-	-	-	1,398,448	3,165	1,401,613
Additions of right-of-use assets	-	156,789	-	-	-	156,789	1,127,101	1,283,890
Additions of investment properties	-	-	-	1,331,454	-	1,331,454	-	1,331,454
Depreciation of property, plant and equipment	2,069,593	147,517	-	-	-	2,217,110	480,956	2,698,066
Depreciation of right-of- use assets	28,016	218,509	-	-	-	246,525	1,334,332	1,580,857
Decrease (increase) in fair values of investment properties	-	4,448,071	(9,574,171)	(446,640)	-	(5,572,740)	-	(5,572,740)
Finance costs	-	526,523	-	-	-	526,523	523,250	1,049,773
Decrease in fair values of financial assets at FVTPL	-	-	-	-	3,395,563	3,395,563	-	3,395,563

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\$	Segment total HK\$	Unallocated HK\$	Total 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

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	
	2023 HK\$	2022 HK\$	2023 HK\$	2022 HK\$
Hong Kong	24,988,142	23,349,463	295,060,554	286,711,195
Mainland China	11,543,276	27,720,693	7,795,390	52,483,140
Overseas	634,851	-	29,377,214	28,488,111
	37,166,269	51,070,156	332,233,158	367,682,446

3. OTHER GAINS OR LOSSES

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Decrease in fair values of financial assets at FVTPL	(3,395,563)	(8,104,436)
Write-off in respect of other receivables	(1,700)	(120,000)
Loss on disposal of property, plant and equipment	(9,813)	–
	<u>(3,407,076)</u>	<u>(8,224,436)</u>

4. FINANCE COSTS

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Interests on borrowings	488,112	357,438
Interests on lease liabilities	561,661	900,371
	<u>1,049,773</u>	<u>1,257,809</u>

5. INCOME TAX CREDIT

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Current tax:		
Mainland China	359,927	335,255
Fiji	82,203	–
	<u>442,130</u>	<u>335,255</u>
Under (over) provision in prior year:		
Mainland China	71,848	376,477
Fiji	–	(3,028)
	<u>71,848</u>	<u>373,449</u>
Deferred taxation	<u>(1,301,049)</u>	<u>(2,502,385)</u>
	<u>(787,071)</u>	<u>(1,793,681)</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. (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 Year of HK\$7,946,189 (2022: profit for the year of HK\$53,982,244) and the number of shares as calculated below.

	2023	2022
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	747,524,536	732,992,536
Effect of dilutive potential ordinary shares – share options	<u>–</u>	<u>9,423,075</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>747,524,536</u>	<u>742,415,611</u>

The computation of the diluted loss per share for the Year did not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

For the year ended 31 March 2022, 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.

7. (LOSS) PROFIT BEFORE TAX

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
(Loss) profit before tax has been arrived at after charging:		
Auditor's remuneration		
– audit service	1,280,000	1,280,000
– non-audit services	25,000	25,000
Cost of inventories recognised as an expense	3,750,983	3,640,260
Depreciation of property, plant and equipment	2,698,066	2,783,902
Depreciation of right-of-use assets	1,580,857	1,597,442
Staff costs:		
– Directors' remuneration	1,844,372	2,908,463
Other staff:		
– Salaries and other allowances	14,356,232	13,850,266
– Retirement benefit schemes contributions	1,091,899	1,124,829
– Share-based payment	<u>–</u>	<u>96,680</u>
	<u>15,448,131</u>	<u>15,071,775</u>
and crediting:		
Interest income (included in other income)		
– Bank deposits	91,111	147,758
– Finance lease	1,975,733	172,635
	2,066,844	320,393
Dividend income from financial assets at FVTPL (included in other income)	2,991,576	1,335,095
Government grants (included in other income)	<u>757,600</u>	<u>150,000</u>

During the Year, the Group recognised government grants of HK\$757,600 (2022: HK\$150,000) in respect of Covid-19 related subsidies, of which HK\$757,600 (2022: nil) 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.

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Trade receivables		
– contracts with customers	106,362	696,819
– leases	324,198	726,811
	<u>430,560</u>	<u>1,423,630</u>

As at 1 April 2021, trade receivables from contracts with customers amounted to HK\$108,555.

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.

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
0–30 days	430,560	710,423
31–60 days	–	13,282
Over 60 days	–	699,925
	<u>430,560</u>	<u>1,423,630</u>

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$713,207 (2023: nil) 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. Nil balance was past due as at 31 March 2023.

Trade receivables aged over 30 days are normally past due.

Trade receivable due from the related party

As at 31 March 2023, included in the Group's trade receivables is an unsecured amount due from the Group's related company of HK\$322,646 (2022: HK\$658,411). As at 31 March 2022, an amount of HK\$658,411 (2023: nil) was past due at the reporting date but which was 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. Nil balance was past due as at 31 March 2023.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Trade payables	576,641	414,149
Other payables and accruals	7,555,697	5,222,878
Rental receipt in advance	121,813	4,179,576
	<u>8,254,151</u>	<u>9,816,603</u>

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
0–30 days	237,593	135,003
31–60 days	311,398	245,475
Over 60 days	27,650	33,671
	<u>576,641</u>	<u>414,149</u>

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

Included in the other payables and accruals of HK\$1,998,671 (2022: HK\$1,640,104) related to accrued professional fees.

10. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2021	732,852,810	325,837,279
Exercise of share options (<i>note a</i>)	1,000,000	127,200
	<u>733,852,810</u>	<u>325,964,479</u>
At 31 March 2022	733,852,810	325,964,479
Exercise of share options (<i>note a</i>)	14,677,000	1,902,094
	<u>748,529,810</u>	<u>327,866,573</u>
At 31 March 2023	748,529,810	327,866,573

Note:

- (a) During the Year, 14,677,000 shares (2022: 1,000,000 shares) have been issued at a consideration of HK\$1,902,094 (2022: 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 2023 and 2022, 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 (2022: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “AGM”) will be held on Wednesday, 13 September 2023 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 Friday, 8 September 2023 to Wednesday, 13 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 September 2023.

REVIEW OF OPERATIONS AND PROSPECTS

For the Year, a total revenue of the Group was approximately HK\$37.2 million, resulting a 27.2% decrease as compared to HK\$51.1 million in 2022. The Group’s gross profit for the Year was HK\$5.9 million, resulting a 76.1% decrease as compared to HK\$24.7 million in 2022. The loss for the year attributable to the owners of the Company was HK\$7.9 million (2022: profit of HK\$54.0 million).

The Group has recorded a HK\$9.6 million increase in fair values of investment properties located in Hong Kong during the year under review (2022: HK\$78.9 million). The Group continued to take recovery action against certain occupiers who had been unlawfully occupying certain portions of agricultural land.

For the year under review, the revenue and segment profits of the Cheung Chau Warwick Hotel amounted to approximately HK\$24.1 million (2022: HK\$22.4 million) and HK\$5.2 million (2022: HK\$3.8 million), respectively. The hotel maintained the occupancy rate at around 76% (2022: 75%) with similar average room rate, which have led to a 2.5% increase in revenue for rooms department during the Year. With the relaxation of government-imposed social distancing measures, the food and beverages department recorded an increase of 20.3% in revenue during the Year.

For the year under review, the Group's serviced property in Beijing, the People's Republic of China (the "PRC") recorded a total revenue of approximately HK\$11.5 million (2022: HK\$27.7 million) resulting a loss of approximately HK\$9.9 million (2022: HK\$6.5 million). The significant drop in revenue was mainly due to a decrease in rental income from operating lease after derecognition of leased properties under subleases from investment properties in December 2021 and May 2022, and finance lease receivables were recognised at corresponding lease commencement dates.

For securities investment and trading, the Group recorded a net loss of approximately HK\$0.4 million for the Year (2022: HK\$6.8 million), including a decrease of approximately HK\$3.4 million (2022: HK\$8.1 million) in fair values of financial assets at FVTPL.

As at 31 March 2023, the Group was involved in a legal dispute in respect of the serviced property in Beijing, 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 has been sub-let by Beijing Hai Lian to independent third party sub-tenants. Pursuant to the relevant lease agreement between Beijing Hai Lian and the Landlord, the lease has a term of 30 years expiring on 30 September 2024. The dispute arose from the disagreement on the 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 with effect from August 2022 and has claimed for damages for rent calculated based on an increased level. As at the date of this announcement, the litigation is still on-going. Having taken into account the external legal advice, the Board is of the opinion that the Group has reasonable 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 audited consolidated financial statements of the Group for the Year in relation to such legal claims.

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 during the period from February 2022 to May 2023. 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 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 31 March 2023, the Group has approximately 70 employees (2022: 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 2023, the Group's financial assets at FVTPL, with market value of approximately HK\$19.7 million (2022: approximately HK\$22.6 million), mainly represented investment portfolio of 17 equity securities listed in Hong Kong and 1 equity security listed in Singapore (2022: 20 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 2023 accounting for more than 5% of the Group's total assets as at 31 March 2023 as significant investments. As at 31 March 2023, 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 2023, the Group had bank balances and cash of HK\$30,314,264 (2022: HK\$22,703,497), no bank deposits with original maturity more than three months (2022: HK\$6,169,031), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 March 2023, there were outstanding bank loans facilities of HK\$11,740,184 (2022: HK\$16,414,423). All of outstanding bank loans were denominated in Hong Kong dollars with interest at prevailing market rates.

As at 31 March 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 31 March 2023 amounted to approximately HK\$371.5 million (2022: HK\$382.8 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 31 March 2023 was approximately 3.2% (2022: 4.3%).

CHARGES OVER ASSETS OF THE GROUP

As at 31 March 2023, certain property, plant and equipment and right-of-use assets with an aggregate carrying value of approximately HK\$28.2 million (2022: approximately HK\$29.4 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 Year. 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 31 March 2023, the Company had issued financial guarantees of HK\$15,000,000 (2022: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$10,307,145 (2022: HK\$12,180,533) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had capital commitments of HK\$275,813 (2022: HK\$275,813).

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 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 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 net proceeds were fully used as the Group’s general working capital as at 31 March 2023. The table below sets out the proposed application and the actual usage of the net proceeds from the Placing as at 31 March 2023 as follows:

	Planned use of net proceeds (HK\$)	Unused net proceeds as at 1 April 2022 (HK\$)	Actual use of the net proceeds during the Year (HK\$)	Unused net proceeds as at 31 March 2023 (HK\$)
General working capital	<u>12.7 million</u>	<u>2.5 million</u>	<u>2.5 million</u>	<u>–</u>

CORPORATE GOVERNANCE

Throughout the Year, the Company had complied with all the code provisions of the Corporate Governance Code (the “Code”) contained in Part 2 of Appendix 14 to the Listing Rules, 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 strategies and policies of the Group 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 the 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.

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 2023 and 2022 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 2022 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 2023

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.