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: 0037)

Announcement
Interim Results For The Six Months Ended 30 September 2015

INTERIM RESULTS

The board of directors of Far East Hotels and Entertainment Limited (the "Company" and the "Board", respectively) announces that the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2015 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 2015

		Six months ended 30 September	
		2015	2014
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Revenue	3	**25,730,981**	28,073,292
Cost of sales		**(20,126,854)**	(19,081,237)
Gross profit		**5,604,127**	8,992,055
Other gains and losses	5	**(2,465,941)**	(761,168)
Decrease in fair value of investment properties		**(828,417)**	-
Administrative expenses		**(11,833,205)**	(8,063,865)
Finance costs	6	**(513,098)**	(549,079)
Share of results of associates		**204,340**	227,820
Share of results of a joint venture		**(3,678)**	(2,678)
Loss before taxation		**(9,835,872)**	(156,915)
Taxation	7	**-**	-
Loss for the period attributable to owners of the Company		**(9,835,872)**	(156,915)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
		(unaudited)	(unaudited)
	Notes	**HK$**	HK$
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,427,235)**	(6,890)
Total comprehensive expense for the period attributable to owners of the Company		**(11,263,107)**	(163,805)
		HK Cents	HK Cents
Loss per share	8		
- Basic		**(1.63)**	(0.03)
- Diluted		**(1.63)**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	**30/09/2015 (unaudited)**	31/03/2015 (audited)
		HK$	HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**77,644,984**	75,280,739
Deposits for acquisition of property, plant and machinery		**-**	624,800
Investment properties		**113,751,392**	74,084,976
Interests in associates		**523,215**	318,875
Interest in a joint venture		**14,443,941**	14,447,619
Loan to a joint venture	9	**8,179,480**	8,178,303
Promissory notes receivable		**21,250,000**	-
Available-for-sale investments		**-**	140,000,000
Paintings		**3,921,217**	3,921,217
		239,714,229	316,856,529
CURRENT ASSETS			
Held-for-trading investments		**12,832,810**	19,026,811
Inventories		**522,858**	494,955
Trade receivables	10	**599,718**	4,728,804
Other receivables, deposits and prepayments		**1,427,578**	1,415,025
Pledged bank deposits		**2,118,000**	2,118,000
Bank balances and cash		**80,279,200**	1,211,943
		97,780,164	28,995,538
CURRENT LIABILITIES			
Trade and other payables and accruals	11	**4,585,006**	8,031,468
Receipt in advance		**12,092,328**	-
Deposits received		**583,087**	354,313
Amounts due to directors		**201,640**	-
Amounts due to associates		**275,381**	105,381
Amounts due to related companies		**722,576**	737,441
Amount due to a non-controlling shareholder		**1,279,240**	6,880,444
Bank borrowings - due within one year	12	**2,984,476**	17,745,838
Bank overdrafts		**-**	1,488,572
Obligations under a finance lease		**129,757**	125,945
		22,853,491	35,469,402
NET CURRENT ASSETS (LIABILITIES)		**74,926,673**	(6,473,864)
		314,640,902	310,382,665

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2015

	Notes	**30/09/2015 (unaudited)**	31/03/2015 (audited)
		HK$	HK$
CAPITAL AND RESERVES			
Share capital	13	**310,764,913**	308,795,513
Reserves		**(31,586,134)**	(20,323,027)
		279,178,779	288,472,486
NON-CURRENT LIABILITIES			
Provision for long service payments		**2,053,401**	2,053,401
Obligations under a finance lease		**308,751**	374,534
Bank borrowings - due after one year	12	**33,099,971**	19,482,244
		35,462,123	21,910,179
		314,640,902	310,382,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and should be read in conjunction with the 2015 annual financial statements.

The financial information relating to the year ended 31 March 2015 that is included in the Half-year Interim Report 2015 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 is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 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 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 new and revised Hong Kong Financial Reporting Standards

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 2015, except for those due to the application of the new and revised Standards, Amendments and Interpretations (collectively the "new and revised HKFRSs") issued by the HKICPA. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective.

In July 2014, HKFRS 15 *Revenue from Contracts with Customers* was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the accounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practical to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group's financial performance and the Group's financial position for the future and /or on the disclosures set out in the financial statements of the Group.

3. Segment information

The Group's operating and reportable segments are as follows:

1. Hotel operation in Hong Kong
2. Serviced property letting in the People's Republic of China, excluding Hong Kong (the "PRC")
3. Property investment in Hong Kong
4. Securities investment and trading

Segment revenues and results

The following is an analysis of the Group's revenue and profit (loss) by operating segments:

	Hotel operation in Hong Kong HK$	Serviced property letting in the PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Total HK$
Six months ended 30 September 2015 (unaudited)					
Revenue	**10,772,748**	**14,398,993**	**559,240**	**-**	**25,730,981**
Segment profit (loss)	**2,438,238**	**3,123,599**	**(789,805)**	**(2,703,411)**	**2,068,621**
Unallocated gains and losses					**237,470**
Unallocated expenses					**(11,833,205)**
Unallocated finance costs					**(513,098)**
Share of results of associates					**204,340**
Loss before taxation					**(9,835,872)**
Taxation					**-**
Loss for the period					**(9,835,872)**
Six months ended 30 September 2014 (unaudited)					
Revenue	12,854,051	15,219,241	-	-	28,073,292
Segment profit (loss)	4,129,589	5,397,254	(537,466)	(734,344)	8,255,033
Unallocated gains and losses					(26,824)
Unallocated expenses					(8,063,865)
Unallocated finance costs					(549,079)
Share of results of associates					227,820
Loss before taxation					(156,915)
Taxation					-
Loss for the period					(156,915)

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September	
	2015 (unaudited) HK$	2014 (unaudited) HK$
Hong Kong	**11,331,988**	12,854,051
PRC	**14,398,993**	15,219,241
	25,730,981	28,073,292

4. Loss before taxation

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$	HK$
Loss before taxation has been arrived at after charging:		
Depreciation	**6,148,073**	3,682,500
Auditor's remuneration	**405,000**	405,000
Directors' remuneration & other staff costs		
Salaries, bonus and allowances	**6,394,799**	6,540,165
Retirement benefits cost	**301,613**	723,614
	6,696,412	7,263,779
Operating lease rentals in respect of rental premises	**3,104,480**	3,601,303
Share of taxation of associates (included in share of results of associates)	**40,375**	33,024
Cost of inventories recognised as an expense	**1,951,238**	2,336,881
and after crediting:		
Net rental income from properties	**12,736,980**	12,937,447

5. Other gains and losses

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$	HK$
Dividend income from listed securities	**262,690**	603,525
Decrease in fair value of held-for-trading investments	**(2,966,101)**	(1,337,869)
Loss on disposal of property, plant & equipment	**(7,002)**	(29,942)
Bank interest income	**2,729**	2,974
Other interest income	**41,752**	144
Sundry income	**199,991**	-
	(2,465,941)	(761,168)

6. Finance costs

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK$	HK$
Interest on bank borrowings		
Wholly repayable within 5 years	**205,475**	211,306
Not wholly repayable within 5 years	**293,759**	324,898
Interest on finance leases	**13,864**	12,875
	513,098	549,079

7. Taxation

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or have tax losses to offset the assessable profits for both periods.

No provision for PRC Enterprise Income Tax is required as the subsidiary operating in the PRC has no assessable profit for both periods.

8. Loss per share

The calculation of basic and diluted loss per share is based on the loss for the period of HK$9,835,872 (30/09/2014: loss of HK$156,915) and the number of shares as calculated below:

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**602,110,675**	591,410,675

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

9. Loan to a joint venture

The loan to the joint venture is unsecured, interest-free and has no fixed repayment terms.

The loan is not expected to be repaid within twelve months from the end of the reporting period.

10. Trade receivables

Included in trade receivables are trade debtors of HK$599,718 (31/03/2015: HK$4,728,804), net of allowance for doubtful debts.

Trade debtors mainly comprise receivables from renting of properties and hotel operation. No credit is allowed to tenants for the use of the Group's properties. Rentals are payable on presentation of demand notes. 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.

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

	30/09/2015 (unaudited) HK$	31/03/2015 (audited) HK$
0 - 30 days	**443,073**	2,492,981
31 - 60 days	**16,700**	2,099,172
Over 60 days	**139,945**	136,651
	599,718	4,728,804

11. Trade and other payables and accruals

Included in trade and other payables and accruals are trade creditors of HK$1,110,564 (31/03/2015: HK$1,348,198).

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

	30/09/2015 (unaudited) HK$	31/03/2015 (audited) HK$
0 - 30 days	**383,090**	675,052
31 - 60 days	**294,849**	237,554
Over 60 days	**432,625**	435,592
	1,110,564	1,348,198

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

12. Bank borrowings

	30/09/2015 (unaudited) HK$	31/03/2015 (audited) HK$
Bank borrowings are secured and repayable as follows:		
Within one year	**2,984,476**	2,951,039
More than one year, but not exceeding five years	**24,822,173**	9,890,707
More than five years	**8,277,798**	9,591,537
	36,084,447	22,433,283
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)		
- repayable after more than one year but not exceeding two years	**-**	14,794,799
	36,084,447	37,228,082
Less: Amount due within one year shown under current liabilities	**(2,984,476)**	(17,745,838)
Amount due after one year	**33,099,971**	19,482,244

13. Share capital

	Number of Shares	**HK$**
Issued and fully paid:		
At 1 April 2014	591,410,675	308,099,513
Exercise of share options	3,000,000	696,000
At 31 March 2015	594,410,675	308,795,513
Exercise of share options	7,700,000	1,969,400
At 30 September 2015	602,110,675	310,764,913

14. Operating lease

The Group as lessee:

At 30 September 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30/09/2015 (unaudited) HK$	31/03/2015 (audited) HK$
Within one year	**6,328,959**	6,090,959
In the second to fifth year inclusive	**21,909,836**	21,386,189
Over five years	**20,467,836**	23,860,624
	48,706,631	51,337,772

A subsidiary entered into an agreement with its non-controlling shareholder for the lease of its properties for a period of twenty-eight years at a fixed rent of RMB4,200,000 per year. The lease will expire on 30 September, 2024.

The remaining lease is negotiated for a term of two years with fixed rental over the lease term.

The Group as lessor:

At 30 September 2015, the Group had contracted with tenants for the following future minimum lease payments:

	30/09/2015 (unaudited) HK$	31/03/2015 (audited) HK$
Within one year	**29,861,362**	30,462,568
In the second to fifth year inclusive	**26,378,709**	21,162,711
	56,240,071	51,625,279

The properties have committed tenants for a term of three to five years (31/03/2015: three to five years).

15. Acquisition of assets through acquisition of subsidiaries

On 14 August 2015, the Group acquired the entire issued share capital of Rise Vision Limited for a consideration of HK$40,750,000 as part of the consideration of the disposal of available-for-sale investments. Rise Vision Limited owns Silver Autumn Beach Villa Limited which in turn holds properties in Fiji. The properties are classified as investment properties.

The net assets acquired in the transaction were as follows:

	HK$
Investment properties	40,502,434
Inventories	60,633
Trade and other receivables	317,920
Bank balances and cash	47,110
Trade and other payables	(178,097)
	40,750,000
Satisfied by:	
Part of consideration of disposal of available-for-sale investments	40,750,000
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	47,110

INTERIM DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2015 (2014: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2015, the Group recorded total revenue of approximately HK$25.7 million (2014: HK$28.1 million) and a gross profit of approximately HK$5.6 million (2014: HK$9 million), representing decreases of approximately 8.3% and 37.7 % respectively.

For the period under review, the Cheung Chau Warwick Hotel recorded a total revenue of approximately HK$10.8 million (2014: HK$12.9 million) with contributing profit of approximately HK$2.4 million (2014: HK$4.1 million). The guest rooms department and the food and beverage department recorded a decrease in revenue of approximately 19% and 11% respectively. The decrease in room revenue was mainly due to the recent slowdown in the tourism market in Hong Kong. In addition, the strong Hong Kong dollars against other foreign currencies further weakened the spending power of the visiting tourists.

The serviced property in Beijing recorded a revenue of approximately HK$14.4 million (2014: HK$15.2 million) and a profit of approximately HK$3.1 million (2014: HK$5.4 million), representing a decrease of approximately 5.4% and 41.2% respectively. Despite the economic slowdown in the mainland China, the rental revenue of the serviced property remained stable.

For securities investment and trading, the Group recorded a loss of approximately HK$2.7 million (2014: HK$0.7 million), which included a decrease of approximately HK$3 million (2014: HK$1.3 million) in fair value of held-for-trading investments.

The Company disposed of the entire available-for-sale investments during the period for a consideration of HK$140,000,000 which was satisfied by the purchaser (i) by HK$78 million in cash; (ii) through the issuance of the promissory notes of HK$21.25 million; (iii) by the assignment of the benefit of the purchaser’s loan and the transfer of the entire issued share capital of Rise Vision Limited to the Company. Rise Vision Limited owns Silver Autumn Beach Villa Limited which in turn holds properties in Fiji. The properties are classified as investment properties. Details of this transaction are disclosed in the Company’s announcement and circular dated 30 June 2015 and 22 July 2015 respectively.

The market conditions are expected to be challenging in the near future. The management will closely monitor and actively react to any changes as they arise. The Group will also from time to time seek business opportunities that can provide investment potential and broaden the income base of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2015, the Group had bank balances and cash of HK$80,279,200 (31/03/2015: HK$1,211,943) and pledged bank deposits of HK$2,118,000 (31/03/2015: HK$2,118,000).

At 30 September 2015, there were outstanding bank loans and utilised overdraft facilities of HK$36,084,447 (31/03/2015: HK$38,716,654) and unutilised overdraft facilities of HK$6,000,000 (31/03/2015: HK$4,511,000) available to the Group.

At 30 September 2015, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2015 amounted to approximately HK$279 million (31/03/2015: approximately HK$288 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2015 was 13% (31/03/2015: 13%).

CONTINGENT LIABILITIES

At 30 September 2015, the Company had issued financial guarantees of HK$18,000,000 (31/03/2015: HK$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$15,436,800 (31/03/2015: HK$15,436,800) has been utilised by its subsidiaries.

CAPITAL COMMITMENTS

At 30 September 2015, the Group had no significant capital commitments (31/03/2015: HK$551,800).

MATERIAL ACQUISITIONS OF SUBSIDIARIES

On 14 August 2015, the Group acquired the entire issued share capital of Rise Vision Limited at a consideration of HK$40,750,000 as part of the consideration of the disposal of available-for-sale investments. Rise Vision Limited owns Silver Autumn Beach Villa Limited which in turn holds properties in Fiji. The properties are classified as investment properties. Details of this transaction are disclosed in the Company's announcement and circular dated 30 June 2015 and 22 July 2015 respectively.

EMPLOYEES

At 30 September 2015, the Group had approximately 70 employees (31/03/2015: approximately 70 employees). 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2015, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2015, except for the following:

(a) Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

None of the non-executive directors of the Company was appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all directors of the Company are subject to retirement by rotation at annual general meetings 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 in the Code.

(b) Code provision E.1.2 of the Code stipulates that the chairman of the Board should attend the annual general meeting. The Company has had no chairman of the Board since 17 March 2015. However, one of the directors of the Company present at the annual general meeting held on 31 August 2015 was elected chairman thereof to ensure an effective communication with the shareholders thereat.

AUDIT COMMITTEE

The audit committee of the Company comprises all of the three independent non-executive directors, namely Mr. Ng Wing Hang Patrick (Chairman), Mr. Ip Shing Hing and Mr. Choy Wai Shek Raymond.

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 the draft interim report of the Company for the six months ended 30 September 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon a specific enquiry made on them by the Company, all directors of the Company have confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 September 2015.

By Order of the Board
Far East Hotels and Entertainment Limited

Derek Chiu
Managing Director and Chief Executive

Hong Kong, 26 November 2015

As at the date of this announcement, the executive directors are Mr. Derek Chiu (Managing Director and Chief Executive), Ms. Margaret Chiu, Mr. Alex Chiu and Ms. Amanda Chiu; the non-executive directors are Mrs. Chiu Ju Ching Lan and Mr. Dick Tat Sang Chiu; and the independent non-executive directors are Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond.