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## FAR EAST HOTELS AND ENTERTAINMENT LIMITED

遠東酒店實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00037)

### Announcement

### Interim Results For The Six Months Ended 30 September 2022

#### INTERIM RESULTS

The board of directors (the “Directors” and the “Board”, respectively) of Far East Hotels and Entertainment Limited (the “Company”) announces that the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022 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 2022

	Notes	Six months ended 30 September	
		2022 (unaudited) HK\$	2021 (unaudited) HK\$
Revenue	3	19,884,178	26,599,543
Cost of sales		(14,867,053)	(16,189,943)
Gross profit		5,017,125	10,409,600
Other income, gains or losses	5	(4,727,686)	(6,128,172)
Net increase in fair values of investment properties		32,056,748	19,168,366
Selling expenses		(711,922)	(593,074)
Administrative expenses		(10,609,845)	(8,364,101)
Finance costs	6	(484,754)	(669,281)
Share of results of associates		286,273	278,793
Profit before tax	4	20,825,939	14,102,131
Income tax (expense) credit	7	(906,256)	1,704,281
<b>Profit for the period attributable to owners of the Company</b>		<b>19,919,683</b>	<b>15,806,412</b>

		<b>Six months ended 30 September</b>	
		<b>2022</b>	2021
		<b>(unaudited)</b>	(unaudited)
<i>Notes</i>		<b>HK\$</b>	<b>HK\$</b>
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(7,780,411)</u>	<u>208,459</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b><u>12,139,272</u></b>	<b><u>16,014,871</u></b>
<b>EARNINGS PER SHARE</b>			
Basic	8	<b><u>2.67 cents</u></b>	<b><u>2.16 cents</u></b>
Diluted		<b><u>2.48 cents</u></b>	<b><u>2.16 cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

	<i>Notes</i>	<b>30 September 2022 (unaudited) HK\$</b>	31 March 2022 (audited) HK\$
<b>Non-current assets</b>			
Property, plant and equipment		28,709,662	29,845,335
Right-of-use assets		3,495,034	3,124,905
Deposits for capital expenditure		304,445	334,958
Investment properties		312,560,482	322,382,611
Interests in associates		933,989	647,716
Finance lease receivables		15,809,127	6,923,075
Paintings		4,371,660	4,423,846
		<b>366,184,399</b>	367,682,446
<b>Current assets</b>			
Financial assets at fair value through profit or loss (“FVTPL”)		19,492,271	22,612,546
Inventories		335,639	284,072
Finance lease receivables		15,895,508	5,508,059
Trade receivables	10	885,974	1,423,630
Other receivables, deposits and prepayment		1,995,493	2,011,898
Bank deposits		–	6,169,031
Demand deposits held with security broker companies		1,805,779	4,964,817
Bank balances and cash		31,207,100	22,703,497
		<b>71,617,764</b>	65,677,550
<b>Current liabilities</b>			
Trade and other payables and accruals	11	6,087,828	9,816,603
Contract liabilities		195,531	295,864
Rental deposits received		72,000	104,400
Amount due to an associate		531,381	318,381
Amounts due to related companies		670,001	671,051
Bank borrowings	12	15,023,700	14,982,707
Lease liabilities		5,745,291	6,761,074
Tax payable		1,569,507	2,201,144
		<b>29,895,239</b>	35,151,224

		<b>30 September 2022 (unaudited) <i>HK\$</i></b>	31 March 2022 (audited) <i>HK\$</i>
<b>Net current assets</b>		<u><b>41,722,525</b></u>	<u>30,526,326</u>
<b>Total assets less current liabilities</b>		<u><b>407,906,924</b></u>	<u>398,208,772</u>
<b>Capital and reserves</b>			
Share capital	13	<b>327,866,573</b>	325,964,479
Reserves		<u><b>69,004,513</b></u>	<u>56,865,241</u>
		<u><b>396,871,086</b></u>	<u>382,829,720</u>
<b>Non-current liabilities</b>			
Deferred taxation		<b>4,523,879</b>	4,084,173
Provision for long service payments		<b>627,173</b>	717,884
Bank borrowings	12	–	1,431,716
Lease liabilities		<u><b>5,884,786</b></u>	<u>9,145,279</u>
		<u><b>11,035,838</b></u>	<u>15,379,052</u>
		<u><b>407,906,924</b></u>	<u>398,208,772</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2022*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively) and should be read in conjunction with the annual financial statements for the year ended 31 March 2022.

The financial information relating to the year ended 31 March 2022 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2022 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its reports and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022, except for those due to the application of amendments to HKFRSs issued by the HKICPA.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2022:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to 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 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

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

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

#### Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 September 2022 (unaudited)		
	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	Total <i>HK\$</i>
<b>Types of goods or services</b>			
Hotel operation			
– Hotel rooms revenue	8,908,276	–	8,908,276
– Food and beverages	3,441,342	–	3,441,342
Property management services	–	2,883,179	2,883,179
<b>Total</b>	<b>12,349,618</b>	<b>2,883,179</b>	<b>15,232,797</b>
<b>Geographical markets</b>			
Hong Kong	12,349,618	–	12,349,618
Mainland China	–	2,883,179	2,883,179
<b>Total</b>	<b>12,349,618</b>	<b>2,883,179</b>	<b>15,232,797</b>
<b>Timing of revenue recognition</b>			
A point in time	3,441,342	–	3,441,342
Over time	8,908,276	2,883,179	11,791,455
<b>Total</b>	<b>12,349,618</b>	<b>2,883,179</b>	<b>15,232,797</b>

## Six months ended 30 September 2021 (unaudited)

<b>Segments</b>	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	Total <i>HK\$</i>
<b>Types of goods or services</b>			
Hotel operation			
– Hotel rooms revenue	9,092,886	–	9,092,886
– Food and beverages	3,518,586	–	3,518,586
Property management services	–	489,487	489,487
<b>Total</b>	<b>12,611,472</b>	<b>489,487</b>	<b>13,100,959</b>
<b>Geographical markets</b>			
Hong Kong	12,611,472	–	12,611,472
Mainland China	–	489,487	489,487
<b>Total</b>	<b>12,611,472</b>	<b>489,487</b>	<b>13,100,959</b>
<b>Timing of revenue recognition</b>			
A point in time	3,518,586	–	3,518,586
Over time	9,092,886	489,487	9,582,373
<b>Total</b>	<b>12,611,472</b>	<b>489,487</b>	<b>13,100,959</b>

## Segment revenue and results

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

	Hotel operation in Hong Kong <i>HK\$</i>	Serviced property letting in the Mainland China <i>HK\$</i>	Property investment in Hong Kong <i>HK\$</i>	Property investment overseas <i>HK\$</i>	Securities investment and trading <i>HK\$</i>	Total <i>HK\$</i>
<b>Six months ended 30 September</b>						
<b>2022 (unaudited)</b>						
Revenue	<u>12,349,618</u>	<u>6,891,425</u>	<u>449,256</u>	<u>193,879</u>	<u>–</u>	<u>19,884,178</u>
Segment profit (loss)	<u>3,194,842</u>	<u>(5,845,159)</u>	<u>35,254,506</u>	<u>105,281</u>	<u>(6,332,893)</u>	<u>26,376,577</u>
Unallocated other income, gains and losses						194,422
Unallocated expenses						(5,831,015)
Unallocated finance costs						(200,318)
Share of results of associates						<u>286,273</u>
Profit before tax						<u>20,825,939</u>
<b>Six months ended 30 September</b>						
<b>2021 (unaudited)</b>						
Revenue	<u>12,611,472</u>	<u>13,538,392</u>	<u>449,679</u>	<u>–</u>	<u>–</u>	<u>26,599,543</u>
Segment profit (loss)	<u>2,883,307</u>	<u>(5,594,415)</u>	<u>29,848,896</u>	<u>(30,375)</u>	<u>(6,243,535)</u>	<u>20,863,878</u>
Unallocated gains or losses						34
Unallocated expenses						(6,805,861)
Unallocated finance costs						(234,713)
Share of results of associates						<u>278,793</u>
Profit before tax						<u>14,102,131</u>



Revenue from external customers by geographical location is analysed below:

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Hong Kong	12,798,874	13,061,151
Mainland China	6,891,425	13,538,392
Overseas	193,879	–
	<u>19,884,178</u>	<u>26,599,543</u>

#### 4. PROFIT BEFORE TAX

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Profit before tax has been arrived at after charging:		
Auditor's remuneration	655,000	590,000
Cost of inventories recognised as an expense	1,794,534	1,865,180
Depreciation of property, plant and equipment	1,333,552	1,425,314
Depreciation of right-of-use assets	786,948	797,515
Directors' remuneration and other staff costs:		
– Salaries and other allowances	7,794,333	7,637,690
– Retirement benefit schemes contributions	534,086	562,008
– Share-based payment expenses	–	1,097,592
	<u>8,328,419</u>	<u>9,297,290</u>

#### 5. OTHER INCOME, GAINS OR LOSSES

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Government subsidies	678,400	–
Dividend income from financial assets at FVTPL	1,435,710	550,088
Change in fair value of financial assets at FVTPL	(7,768,653)	(6,793,637)
Bank interest income	58,650	115,377
Finance lease interest income	878,020	–
Loss on disposal of property, plant and equipment	(9,813)	–
	<u>(4,727,686)</u>	<u>(6,128,172)</u>

## 6. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	(unaudited)	(unaudited)
	HK\$	HK\$
Interests on borrowings	183,441	189,816
Interests on lease liabilities	301,313	479,465
	<u>484,754</u>	<u>669,281</u>

## 7. INCOME TAX (EXPENSE) CREDIT

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the Mainland China subsidiary is 25% for both periods.

Fiji corporate income tax is calculated in accordance with Income Tax Act at a rate of 20%.

## 8. 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 six months ended 30 September 2022 of HK\$19,919,683 (30 September 2021: HK\$15,806,412) and the number of shares as calculated below:

	Six months ended 30 September	
	2022	2021
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	746,524,755	732,852,810
Effect of dilutive potential ordinary shares – share options	38,850,401	250,223
	<u>785,375,156</u>	<u>733,103,033</u>

The computation of the diluted earnings per share for the six months ended 30 September 2022 and 2021 was calculated by adjusting the weighted average number of ordinary shares to assuming conversion of all dilutive potential ordinary shares.

## 9. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2022 (30 September 2021: Nil).

## 10. TRADE RECEIVABLES

Trade debtors mainly comprise of receivable from renting of properties and hotel operation. Rentals are payable on presentation of demand notes. No credit is allowed to these customers. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of not more than 30 days to travel agents and corporate customers.

	<b>30 September 2022 (unaudited) HK\$</b>	31 March 2022 (audited) HK\$
Trade receivables		
– contracts with customers	<b>132,331</b>	696,819
– leases	<b>753,643</b>	726,811
	<b>885,974</b>	1,423,630

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.

	<b>30 September 2022 (unaudited) HK\$</b>	31 March 2022 (audited) HK\$
0–30 days	<b>199,248</b>	710,423
31–60 days	<b>66,317</b>	13,282
Over 60 days	<b>620,409</b>	699,925
	<b>885,974</b>	1,423,630

As at 30 September 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$686,726 (31 March 2022: HK\$713,207) 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.

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>30 September 2022 (unaudited) HK\$</b>	31 March 2022 (audited) HK\$
Trade payables	<b>599,418</b>	414,149
Other payables and accruals	<b>5,402,856</b>	5,222,878
Rental receipt in advance	<b>85,554</b>	4,179,576
	<b>6,087,828</b>	9,816,603

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

	<b>30 September 2022 (unaudited) HK\$</b>	31 March 2022 (audited) HK\$
0–30 days	<b>181,381</b>	135,003
31–60 days	<b>394,547</b>	245,475
Over 60 days	<b>23,490</b>	33,671
	<b>599,418</b>	414,149

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

Included in the other payables and accruals of HK\$1,858,347 (31 March 2022: HK\$1,640,104) related to accrued professional fees.

## 12. BANK BORROWINGS

	<b>30 September 2022 (unaudited) HK\$</b>	31 March 2022 (audited) HK\$
The secured bank borrowings are repayable as follows:		
– Within one year*	2,843,167	2,802,174
– Within a period of more than one year but not exceeding two years*	–	1,431,716
	<u>2,843,167</u>	<u>4,233,890</u>
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<u>12,180,533</u>	<u>12,180,533</u>
	<b>15,023,700</b>	16,414,423
Less: Amount due within one year shown under current liabilities	<u>(15,023,700)</u>	<u>(14,982,707)</u>
Amount due after one year shown under non-current liabilities	<u>–</u>	<u>1,431,716</u>

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

The bank borrowings carry floating-rate interest based on the bank's prime rate minus 2.5% and the Hong Kong Interbank Offered Rate plus 1.3% ranged from 1.49% to 3.10% (30 September 2021: 1.36% to 2.88%).

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>HK\$</b>
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> )	<u>1,000,000</u>	<u>127,200</u>
At 31 March 2022 and 1 April 2022	733,852,810	325,964,479
Exercise of share options ( <i>note b</i> )	<u>14,677,000</u>	<u>1,902,094</u>
At 30 September 2022	<u>748,529,810</u>	<u>327,866,573</u>

Notes:

- a. During the year ended 31 March 2022, 1,000,000 share options which were granted on 18 August 2021 were exercised by two employees at HK\$0.1272 per share.
- b. During the six months ended 30 September 2022, 12,300,000 share options (granted on 18 August 2021) and 2,377,000 share options (granted on 25 March 2020) were exercised by two directors at HK\$0.1272 and HK\$0.1420 per share, respectively.

## 14. OPERATING LEASES

### The Group as lessor

The properties have committed tenants for a remaining term of one to three years (31 March 2022: one to three years) at fixed rental.

Minimum lease payments receivable on leases are as follows:

	<b>30 September 2022 (unaudited) HK\$</b>	31 March 2022 (audited) HK\$
Within one year	1,788,133	5,907,816
In the second year	1,583,098	1,625,821
In the third year	123,607	909,606
	<u>3,494,838</u>	<u>8,443,243</u>

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2022 (30 September 2021: Nil).

## **REVIEW OF OPERATIONS AND PROSPECTS**

For the six months ended 30 September 2022, the Group recorded a total revenue of approximately HK\$19.9 million (30 September 2021: HK\$26.6 million) and gross profit of approximately HK\$5.0 million (30 September 2021: HK\$10.4 million), representing a drop in revenue of approximately 25.2% and a significant drop in gross profit of approximately 51.9%, respectively. The profit for the period attributable to the owners of the Company amounted to approximately HK\$19.9 million (30 September 2021: HK\$15.8 million).

The Group has recorded an increase of approximately HK\$36.5 million in fair values of investment properties located in Hong Kong during the six months ended 30 September 2022 (30 September 2021: HK\$31.9 million). In an effort to reduce the risk of dispossession, the Group continued to take recovery action against the trespassers or by entering into rental agreements with certain occupiers who had been unlawfully occupying certain portions of agricultural land in previous years.

For the period under review, the total revenue of the Cheung Chau Warwick Hotel was approximately HK\$12.3 million (30 September 2021: HK\$12.6 million) with a segment profit of approximately HK\$3.2 million (30 September 2021: HK\$2.9 million). The decrease in revenue of both the rooms department and food and beverage department was mainly due to the renovation work carried out from July to August 2022.

For the period under review, the Group's serviced property in Beijing, the People's Republic of China recorded a total revenue of approximately HK\$6.9 million (30 September 2021: HK\$13.5 million) with a loss of approximately HK\$5.8 million (30 September 2021: HK\$5.6 million). The significant drop in revenue of approximately 48.9% 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 loss of approximately HK\$6.3 million (30 September 2021: HK\$6.2 million), which included a decrease of approximately HK\$7.8 million (30 September 2021: HK\$6.8 million) in fair value of financial assets at FVTPL. The Group will continue to monitor the investment portfolio and balance investment risks from time to time to cope with the market conditions.

On 25 January 2022, Lai Chi Kok Amusement Park Company, Limited (“LCKAP”), a wholly-owned subsidiary of the Company and Cornhill Enterprises Limited (a related company controlled by Mr. Derek Chiu and his family which holds certain portions of the application site on trust for LCKAP) (as the applicants), 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. For details of the Application, please refer to the announcement of the Company dated 26 January 2022 and the summary of the Application with further information 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.

#### **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 30 September 2022. The table below sets out the proposed application and the actual usage of the net proceeds from the Placing as at 30 September 2022 as follows:

	<b>Planned use of net proceeds</b>	<b>Unused net proceeds as at 1 April 2022</b>	<b>Actual use of the net proceeds during the six months ended 30 September 2022</b>	<b>Unused net proceeds as at 30 September 2022</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
General working capital	<u>12.7 million</u>	<u>2.5 million</u>	<u>2.5 million</u>	<u>–</u>



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2022, the Group had approximately 70 employees (31 March 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-job training for the employees.

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS**

As at 30 September 2022, the Group's financial assets at FVTPL, with market value of approximately HK\$19.5 million (31 March 2022: approximately HK\$22.6 million), mainly represented investment portfolio of 19 equity securities listed in Hong Kong and 1 equity security listed in Singapore (31 March 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 30 September 2022 accounting for more than 5% of the Group's total assets as at 30 September 2022 as significant investments. As at 30 September 2022, none of each investment represents 5% or more of the Group's total assets.

Save as the above, during the six months ended 30 September 2022, there was no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2022, the Group had bank balances and cash of HK\$31,207,100 (31 March 2022: HK\$22,703,497) and no bank deposits with original maturity more than three months (31 March 2022: HK\$6,169,031), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 September 2022, the Group had outstanding bank loans facilities of HK\$15,023,700 (31 March 2022: HK\$16,414,423). All outstanding bank loans were denominated in Hong Kong dollars with interest at prevailing market rates, details of which are set out in note 12 to the condensed consolidated financial statements.

As at 30 September 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 30 September 2022 amounted to approximately HK\$396.9 million (31 March 2022: HK\$382.8 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 30 September 2022 was approximately 3.8% (31 March 2022: 4.3%).

## **CHARGES OVER ASSETS OF THE GROUP**

As at 30 September 2022, certain property, plant and equipment and right-of-use assets with an aggregate carrying value of approximately HK\$28.4 million (31 March 2022: approximately HK\$29.4 million) are secured for the Group's bank borrowings.

## **CONTINGENT LIABILITIES**

As at 30 September 2022, the Company had issued financial guarantees of HK\$15,000,000 (31 March 2022: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$12,180,533 (31 March 2022: HK\$12,180,533) had been utilised by its subsidiaries.

## **CAPITAL COMMITMENTS**

As at 30 September 2022, the Group had capital commitments of HK\$275,813 (31 March 2022: HK\$275,813).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY**

During the six months ended 30 September 2022, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at 30 September 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 six months ended 30 September 2022 and up to the date of this announcement.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Following a specific enquiry made by the Company with each Director, the Directors have confirmed that they had fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the six months ended 30 September 2022.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 September 2022, the Company has complied with all the code provisions of the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules (the “Code”), except for the following:

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The role of chairman is responsible for formulating and setting the Group’s strategies and policies in conjunction with the Board.

The role of chief executive is responsible for managing the Group’s strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions, and financing.

The post of the chairman of the Board (the “Chairman”) has left vacant since 17 March 2015. 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.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Board (the “Audit Committee”) comprises all of the 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 Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited consolidated financial statements and this announcement of the Company for the six months ended 30 September 2022.

By order of the Board

**Far East Hotels and Entertainment Limited**

**Derek Chiu**

*Executive Director, Managing Director and Chief Executive*

Hong Kong, 25 November 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.*