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## HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 50)

### 2013 RESULTS ANNOUNCEMENT

#### BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2013 amounted to approximately HK\$293 million, a decrease of 26% as compared with the profit after taxation of HK\$397 million (restated) last year. The earnings per share this year were HK\$0.82 compared with the earnings per share of HK\$1.11 (restated) in the previous year.

#### Consolidated Profit and Loss Account

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000 Restated
Turnover	3(a)	440,241	616,181
Cost of sales		(230,822)	(289,939)
		<b>209,419</b>	326,242
Other revenue	3(a) & 4	57,293	35,539
Other net income	4	125,872	19,459
Valuation gains on investment properties and investment property held for development	3(d)	93,100	220,510
Impairment loss on available-for-sale securities		(25,481)	(34,441)
Selling and marketing expenses		(56,839)	(41,450)
Administrative expenses		(47,102)	(43,950)
Other operating expenses		(44,064)	(48,717)
<b>Profit from operations</b>	3(b)	<b>312,198</b>	433,192
Share of profits less losses of associates		999	734
<b>Profit before taxation</b>	5	<b>313,197</b>	433,926
Taxation	6	(19,760)	(36,682)
<b>Profit attributable to equity shareholders of the Company</b>		<b>293,437</b>	397,244
Earnings per share			
– Basic and diluted	9	<b>\$0.82</b>	\$1.11

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	<i>Note</i>	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i> Restated
<b>Profit attributable to equity shareholders of the Company</b>		<u>293,437</u>	<u>397,244</u>
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>	8		
Item that will not be reclassified to profit or loss: Remeasurement of employee benefits assets		<b>976</b>	1,102
Item that may be reclassified subsequently to profit or loss: Available-for-sale securities: net movement in the securities revaluation reserve		<u>(122,452)</u>	<u>150,738</u>
<b>Other comprehensive income for the year</b>		<u>(121,476)</u>	<u>151,840</u>
<b>Total comprehensive income attributable to equity shareholders of the Company</b>		<u><b>171,961</b></u>	<u><b>549,084</b></u>

## Consolidated Balance Sheet

At 31 December 2013

	Note	31 December 2013		31 December 2012		1 January 2012	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 Restated	HK\$'000	HK\$'000 Restated
<b>Non-current assets</b>							
Fixed assets							
– Investment properties			1,251,900	1,182,800		1,010,400	
– Investment property held for development			–	–		108,000	
– Other property, plant and equipment			69,692	73,724		79,684	
– Interest in leasehold land			45,876	47,245		48,615	
			<u>1,367,468</u>	<u>1,303,769</u>		<u>1,246,699</u>	
Interest in associates			16,643	22,046		25,390	
Available-for-sale securities			400,788	711,636		487,691	
Employee benefits assets			4,107	4,802		5,204	
Deferred tax assets			14,527	7,482		5,961	
			<u>1,803,533</u>	<u>2,049,735</u>		<u>1,770,945</u>	
<b>Current assets</b>							
Inventories			2,882,440	2,443,439		2,202,271	
Trade and other receivables	10		1,931,169	203,096		249,011	
Cash and bank balances			1,759,565	837,030		684,813	
Tax recoverable			36,557	30,677		31,655	
			<u>6,609,731</u>	<u>3,514,242</u>		<u>3,167,750</u>	
<b>Current liabilities</b>							
Trade and other payables	11		3,157,737	359,829		174,382	
Tax payable			40,281	39,711		32,217	
			<u>3,198,018</u>	<u>399,540</u>		<u>206,599</u>	
<b>Net current assets</b>			<u>3,411,713</u>	<u>3,114,702</u>		<u>2,961,151</u>	
<b>Total assets less current liabilities</b>			<u>5,215,246</u>	<u>5,164,437</u>		<u>4,732,096</u>	
<b>Non-current liability</b>							
Deferred tax liabilities			28,093	20,987		9,472	
<b>NET ASSETS</b>			<u>5,187,153</u>	<u>5,143,450</u>		<u>4,722,624</u>	
<b>CAPITAL AND RESERVES</b>							
Share capital			356,274	356,274		356,274	
Reserves			4,830,879	4,787,176		4,366,350	
<b>TOTAL EQUITY</b>			<u>5,187,153</u>	<u>5,143,450</u>		<u>4,722,624</u>	

## Notes to the Accounts

### 1. BASIS OF PREPARATION

The accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the accounts.

### 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s accounts:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

#### **Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income***

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in the accounts has been modified accordingly.

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### **HKFRS 10, *Consolidated financial statements***

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated accounts and HK-SIC 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### **HKFRS 12, *Disclosure of interests in other entities***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in the notes to the accounts.

### **HKFRS 13, *Fair value measurement***

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in the notes to the consolidated accounts. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

### **Revised HKAS 19, *Employee benefits***

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	<b>The Group</b>		
	<b>As previously reported HK\$'000</b>	<b>Effect of adoption of revised HKAS 19 HK\$'000</b>	<b>As restated HK\$'000</b>
<b>Consolidated profit and loss account for the year ended 31 December 2012:</b>			
Administrative expenses	42,839	1,111	43,950
Profit for the year	398,355	(1,111)	397,244
<b>Consolidated statement of comprehensive income for the year ended 31 December 2012:</b>			
Remeasurement of employee benefits assets	–	1,102	1,102
Other comprehensive income for the year	150,738	1,102	151,840
Total comprehensive income for the year	549,093	(9)	549,084
<b>Consolidated balance sheet as at 31 December 2012:</b>			
Employee benefits assets	10,796	(5,994)	4,802
Total non-current assets	2,055,729	(5,994)	2,049,735
Net assets/Total equity	5,149,444	(5,994)	5,143,450
Retained profits	3,230,282	(5,994)	3,224,288
<b>Consolidated balance sheet as at 1 January 2012:</b>			
Employee benefits assets	11,189	(5,985)	5,204
Total non-current assets	1,776,930	(5,985)	1,770,945
Net assets/Total equity	4,728,609	(5,985)	4,722,624
Retained profits	2,960,185	(5,985)	2,954,200

This change in accounting policy did not have a material impact on current or deferred taxation and earnings per share.

## 3. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Property development: development and sale of properties.
- Property investment: leasing of properties.

### 3. SEGMENT INFORMATION (Continued)

- Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.
- Travel operation: management and operation of travel agency services.
- Securities investment: debt and equity securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

#### Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The segment information for the years ended 31 December 2013 and 2012 about these reportable segments is presented below:

#### (a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Property development	110,156	252,866	–	–	110,156	252,866
Property investment	69,811	63,288	74	69	69,737	63,219
Ferry, shipyard and related operations	137,035	150,749	2,132	3,058	134,903	147,691
Travel operation	132,611	144,849	913	15	131,698	144,834
Securities investment	36,326	22,203	–	–	36,326	22,203
Others	68,043	71,080	53,329	50,173	14,714	20,907
	<b>553,982</b>	<b>705,035</b>	<b>56,448</b>	<b>53,315</b>	<b>497,534</b>	<b>651,720</b>
<b>Analysed by:</b>						
<b>Turnover</b>					<b>440,241</b>	616,181
<b>Other revenue</b>					<b>57,293</b>	35,539
					<b>497,534</b>	<b>651,720</b>

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses, travel operation, and securities investment.

Turnover represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

### 3. SEGMENT INFORMATION (Continued)

#### (b) Segment result

	Reportable segment profit	
	2013 HK\$'000	2012 HK\$'000 Restated
Property development	29,336	135,388
Property investment (note 3(d))	131,579	257,642
Ferry, shipyard and related operations	34,004	28,067
Travel operation	(3,329)	1,218
Securities investment	114,274	(12,660)
Others (note 3(e))	6,334	23,537
	<u>312,198</u>	<u>433,192</u>

#### (c) Reconciliation of reportable segment profit

	2013 HK\$'000	2012 HK\$'000 Restated
Reportable segment profit derived from external customers	312,198	433,192
Share of profits less losses of associates	999	734
	<u>313,197</u>	<u>433,926</u>

(d) The segment result of the “Property investment” included valuation gains on investment properties and investment property held for development of HK\$93,100,000 (2012: HK\$220,510,000).

(e) The segment result of “Others” mainly comprises interest income, corporate expenses and exchange gains/losses.

#### (f) Other segment information

	Depreciation and amortisation		(Reversal of impairment losses)/ impairment losses		Capital expenditure incurred	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Property investment	13	18	(24)	456	10	2
Ferry, shipyard and related operations	6,534	7,453	–	226	1,619	796
Travel operation	127	186	–	–	291	136
Securities investment	–	–	25,481	34,441	–	–
Others	754	781	324	–	143	178
	<u>7,428</u>	<u>8,438</u>	<u>25,781</u>	<u>35,123</u>	<u>2,063</u>	<u>1,112</u>



#### 4. OTHER REVENUE AND NET INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Other revenue</b>		
Management fee income	10,216	8,878
Air-conditioning charges income	7,197	6,597
Other interest income	26,281	6,262
Other income	13,599	13,802
	<u>57,293</u>	<u>35,539</u>
<b>Other net income</b>		
Net profit on sale of available-for-sale securities	104,442	–
Net profit/(loss) on disposal of other property, plant and equipment	18,153	(4)
Net exchange (loss)/gain	(45)	8,268
Net profit on disposal of investment properties	2,250	3,451
Net profit on disposal of investment property held for development	–	4,172
Income from sale of spare parts	501	950
Forfeited deposits	–	1,572
Sundry income	571	1,050
	<u>125,872</u>	<u>19,459</u>

#### 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) **Staff costs:**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> Restated
Expense recognised in respect of defined benefit retirement plan	1,671	1,504
Contributions to defined contribution retirement plan	2,658	2,521
	<u>4,329</u>	<u>4,025</u>
Total retirement costs	4,329	4,025
Salaries, wages and other benefits	82,144	79,608
	<u>86,473</u>	<u>83,633</u>

## 5. PROFIT BEFORE TAXATION (Continued)

### (b) Other items:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,369	1,370
Depreciation	6,059	7,068
Cost of inventories	43,061	93,236
Auditor's remuneration		
– audit services	1,608	1,427
– other services	283	268
Operating lease charges: minimum lease payments		
– property rentals	4,971	4,694
(Reversal of impairment losses)/impairment losses on trade and other receivables	(24)	682
Impairment loss on amount due from an associate	324	–
Rentals receivable from investment properties less direct outgoings of HK\$24,770,000 (2012: HK\$25,540,000)	(27,006)	(21,814)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK\$973,000 (2012: HK\$923,000)	(7,804)	(10,945)
Interest income	(40,473)	(26,303)
Dividend income from listed investments	(23,018)	(16,758)
	<u>19,760</u>	<u>36,682</u>

## 6. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### Taxation in the consolidated profit and loss account represents:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	19,920	26,705
Over-provision in respect of prior year	(221)	(17)
	<u>19,699</u>	<u>26,688</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	61	9,994
	<u>19,760</u>	<u>36,682</u>

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2012-13 subject to a ceiling of \$10,000 allowed by the Government of Hong Kong Special Administrative Region for each business.

## 7. DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the year

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2012: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the balance sheet date of HK26 cents (2012: HK26 cents) per ordinary share	<u>92,631</u>	<u>92,631</u>
	<u><b>128,258</b></u>	<u><b>128,258</b></u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2012: HK26 cents) per ordinary share	<u>92,631</u>	<u>92,631</u>

## 8. OTHER COMPREHENSIVE INCOME

### Components of other comprehensive income, including reclassification adjustments

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> Restated
<b>Remeasurement of employee benefits assets</b>	<u>976</u>	<u>1,102</u>
<b>Available-for-sale securities</b>		
Changes in fair value recognised during the year	(40,437)	116,297
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	(107,496)	–
– impairment losses	<u>25,481</u>	<u>34,441</u>
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	<u>(122,452)</u>	<u>150,738</u>
Other comprehensive income	<u><b>(121,476)</b></u>	<u><b>151,840</b></u>

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$293,437,000 (2012 (restated): HK\$397,244,000) and 356,273,883 (2012: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2013 and 2012, therefore diluted earnings per share are the same as basic earnings per share for both years.

## 10. TRADE AND OTHER RECEIVABLES

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables	<b>206,099</b>	168,803
Less: allowance for doubtful debts	<u>–</u>	<u>(497)</u>
	<b>206,099</b>	168,306
Cash held by stakeholders	<b>1,585,008</b>	–
Other receivables and prepayments	<b>140,062</b>	<u>34,790</u>
	<b><u>1,931,169</u></b>	<b><u>203,096</u></b>

All of the trade and other receivables except for instalment receivables of HK\$131,358,000 (2012: HK\$108,046,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK\$60,902,000 (2012: HK\$46,456,000) which are unsecured, interest-free and have no fixed terms of repayment.

### Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current	<b>173,885</b>	148,143
1 to 3 months overdue	<b>20,825</b>	16,744
More than 3 months but less than 12 months overdue	<b>10,405</b>	2,271
More than 12 months overdue	<b>984</b>	<u>1,148</u>
	<b><u>206,099</u></b>	<b><u>168,306</u></b>

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted.

## 11. TRADE AND OTHER PAYABLES

All of the trade and other payables are expected to be settled or recognised as income within one year except for an amount of HK\$7,093,000 (2012: HK\$6,684,000) of the Group. Included in the trade and other payables are amounts due to related companies of HK\$425,929,000 (2012: HK\$274,299,000) which are unsecured, interest-free and have no fixed terms of repayment.

Included in trade and other payables are trade payables with the following ageing analysis at the balance sheet date:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Due within 1 month or on demand	<b>441,231</b>	294,592
Due after 1 month but within 3 months	<b>997</b>	45
Due after 3 months but within 12 months	–	–
More than 12 months	<b>8</b>	1
	<hr/> <b>442,236</b> <hr/>	<hr/> 294,638 <hr/>

## DIVIDENDS

The Board of Directors recommends the payment of a final dividend for the year ended 31 December 2013 of HK26 cents per share. Subject to shareholders' approval at the annual general meeting to be held on Friday, 23 May 2014, the final dividend will be paid on or about Thursday, 12 June 2014 to shareholders whose names appear on the register of members of the Company on Wednesday, 4 June 2014. The final dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK36 cents for the full year.

## CHANGE OF ADDRESS OF HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 31 March 2014, the Hong Kong share registrar and transfer office of the Company, Tricor Standard Limited (the "Share Registrar"), will change its address from 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong to:–

Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

All telephone and facsimile numbers of the Share Registrar will remain unchanged.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed on Thursday, 22 May 2014 and Friday, 23 May 2014, during which period no requests for transfer of shares will be accepted. In order to determine members who are entitled to attend and vote at the forthcoming annual general meeting (or any adjournment thereof), all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration no later than 4:30 p.m. on Wednesday, 21 May 2014.

In addition, the Register of Members of the Company will be closed on Tuesday, 3 June 2014 and Wednesday, 4 June 2014, during which period no requests for transfer of shares will be accepted. In order to qualify for the proposed final dividend for the year, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration no later than 4:30 p.m. on Friday, 30 May 2014.

## **BUSINESS REVIEW**

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Shining Heights and The Spectacle, rental income, surplus from revaluation of investment properties and gain from sale of securities investment. As disclosed by the Company in an announcement published on 2 January 2014, the occupation permit of Green Code at No.1 Ma Sik Road, Fanling was not obtained by 31 December 2013 due to delay in the progress of construction, and needed to be postponed to 2014. Accordingly, the relevant sale revenue has not been recognised in the consolidated profit and loss account of the Group for the financial year of 2013.

### **Property Development and Investment Operations**

During the year under review, the Group's rental and other income from commercial arcades and sale proceeds of properties amounted to a total of approximately HK\$121 million. The commercial arcades of Metro Harbour View and Shining Heights were fully let whereas the occupancy rate of the commercial portion of The Spectacle at the year end was about 60%.

Despite the imposition by the Hong Kong government of Double Stamp Duty during the year, the sale of the Group's Green Code project proceeded satisfactorily with firm prices. A total of 691 units was sold up to the year end date, representing 95% of the saleable units, demonstrating that there is good demand on residential units which meet market needs and are well designed.

The structure of Hung Hom Inland Lot No. 555 at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom has been built up to the sixth floor. The sale of the project is expected to be launched this year. The residential-cum-commercial tower will provide a total gross floor area of approximately 56,000 sq. ft. and comprise 95 residential units.

## **Property Development and Investment Operations (Continued)**

Foundation works of the property at 208 Tung Chau Street has been completed. As disclosed by the Company in an announcement published on 16 May 2013, the progress of the project may be delayed due to a ruling in favour of The Secretary of Justice on appeal against Fully Profit (Asia) Limited (an independent third party to the Company and its directors) in a case of the Court of Final Appeal of Hong Kong regarding the meaning of the word “house” under the Government lease. The Company is still liaising with the relevant government authorities on clarification of the term and will make further announcements and keep shareholders informed of further developments as and when necessary.

## **Ferry, Shipyard and Related Operations**

The Ferry, Shipyard and related operations achieved an increase of 21% in operating profit to HK\$34 million as compared with last year. The increase was mainly due to the sale of two oil barges during the year.

## **Travel Operation**

Due to the occurrence of avian flu in China and the anti-government protests in Thailand during the year, the operating results of Travel Operation regressed to a deficit of HK\$3.3 million this year.

## **Securities Investment**

The Group recorded a surplus of HK\$104 million on disposal of certain securities investments in the year of 2013.

## **FINANCIAL REVIEW**

### **Review of Results**

The Group's turnover for the year amounted to approximately HK\$440 million, representing a decrease of 29% when compared to the previous year. This was mainly attributed to the decrease in the sales of residential units of Shining Heights.

### **Liquidity, Financial Resources and Capital Structure**

As of 31 December 2013, shareholders' fund of the Group showed a slight increase of around 1% as compared to the previous year and amounted to approximately HK\$5,187 million. The increase was mainly due to net effect of the profit realised from the sale of residential units of Shining Heights and The Spectacle, the gains on revaluation of the Group's investment properties, gains on the disposal of securities investment and the payment of dividends.

There was no change as to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the sale of residential units of Shining Heights and Green Code.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK\$5.2 million was received from an associate which provided mortgage loans to buyers of residential units of Metro Harbour View.

## **Liquidity, Financial Resources and Capital Structure (Continued)**

Current assets of the Group were recorded at approximately HK\$6,610 million as compared to the current liabilities of approximately HK\$3,198 million as of 31 December 2013. Current ratio of the Group had been decreased to 2.1, mainly attributed to the increase in trade and other payables.

## **Gearing Ratio and Financial Management**

As there was no borrowing as at 31 December 2013, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar. Certain deposits are denominated in Renminbi, and the incidental foreign exchange exposures are kept under periodic review. The management will consider appropriate hedging measures, if necessary.

## **Employees**

As at 31 December 2013, the number of employees of the Group stood at about 300 (2012: 310). The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK\$86 million, which was commensurate with that recorded in the previous year.

## **PROSPECTS**

The US economy grew at 2.5% in the fourth quarter of 2013. Unemployment rate further dropped to 6.7%. The Federal Reserve responded by announcing the reduction of bond purchases, causing the financial markets worldwide to worry about credit tightening. However, in the light of the US and European economies still being in the recovery phase, short to medium term interest rates are not expected to increase substantially. Low rates are beneficial to local home buyers seeking mortgage loans.

In an attempt to regulate the economy, Premier Li Keqiang announced at the closing ceremony of the 12th National People's Congress of the People's Republic of China in March that the target of economic growth in 2014 was set at around 7.5% and inflation rate around 3.5%. These parameters are expected to bring about steady growth. Some investors, however, turn cautious on their outlook for China by citing insufficient growth momentum, bad debts in shadow banking and the need for the Renminbi to depreciate.

In Hong Kong, the economy benefited tremendously from the arrival of mainland tourists, which number increased to 54 million in 2013, representing 11.7%. Shopping, accommodation and dining bring about significant contributions and their consumption is vital to the local economy. Any policy to limit the number of mainland visitors needs to be handled with care. In respect of the local property sector, the year of 2013 witnessed a decrease of 15% to 11,046 in the number of transactions in primary domestic property market, owing to policies such as increased stamp duty. The slack trend of the property market is expected to continue this year.



## **PROSPECTS (Continued)**

The Chief Executive proposed in his 2014 Policy Address to increase housing supply to 470,000 units in the coming ten years. With increased land supply by the government, the Group wishes to purchase development sites at suitable time to replenish the land bank. The Group plans to continue to sell the remaining units of “Green Code” and launch the sale of Hung Hom Bulkeley Street property this year. Barring unforeseen circumstances, Green Code will bring promising sales return to the Group this year if the occupation permit can be procured on time.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standards of corporate governance. In the opinion of the Board of Directors, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2013.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2013 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

## **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”) as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

## **PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION**

The Board of Directors proposed to amend the Company’s existing articles of association (the “Articles”) for the purpose of, among others, bringing them in line with the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014. In view of the substantial number of amendments proposed to be made in the existing Articles, the Board of Directors proposed that a new set of Articles, consolidating all the proposed amendments, be adopted to replace the existing Articles (the “Proposed Adoption”), with effect from the date of passing of the relevant special resolution at the annual general meeting to be held on Friday, 23 May 2014 (the “Annual General Meeting”). The Proposed Adoption will be subject to the approval of the shareholders of the Company by way of a special resolution to be proposed at the Annual General Meeting. A circular containing, among others, the notice of the Annual General Meeting which contains the full text of the new set of Articles under the Proposed Adoption will be despatched to the shareholders of the Company together with 2013 Annual Report in due course.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the designated website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.hkf.com](http://www.hkf.com). The annual report of the Company for the year ended 31 December 2013 containing all the information required by the Listing Rules will be despatched to the shareholders and available on the same websites in due course.

On behalf of the Board  
**Lam Ko Yin, Colin**  
*Chairman*

On behalf of the Board  
**Li Ning**  
*Director*

Hong Kong, 18 March 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Lam Ko Yin, Colin (Chairman) and Mr. Li Ning, the non-executive directors are Mr. Au Siu Kee, Alexander, Mr. Lau Yum Chuen, Eddie, Dr. Lee Shau Kee and Mr. Wong Man Kong, Peter and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.*