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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香港小輪(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 50)

2015 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2015 amounted to approximately HK\$193 million, a decrease of 81% as compared with the profit after taxation of HK\$1,031 million last year. The earnings per share this year were HK\$0.54 compared with the earnings per share of HK\$2.89 in the previous year.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	3(a)	1,067,656	3,506,967
Direct costs		<u>(741,883)</u>	<u>(2,276,197)</u>
		325,773	1,230,770
Other revenue	3(a) & 4	36,195	48,967
Other net income	4	26,812	1,513
Valuation gains on investment properties	3(d)	15,627	141,676
Impairment loss on available-for-sale securities		(51,992)	(15,790)
Selling and marketing expenses		(45,922)	(115,799)
Administrative expenses		(53,094)	(43,933)
Other operating expenses		<u>(22,991)</u>	<u>(24,073)</u>
Profit from operations	3(b)	230,408	1,223,331
Share of profits less losses of associates		<u>1,063</u>	<u>818</u>
Profit before taxation	5	231,471	1,224,149
Taxation	6	<u>(38,556)</u>	<u>(192,738)</u>
Profit attributable to equity shareholders of the Company		<u>192,915</u>	<u>1,031,411</u>
Earnings per share			
– Basic and diluted	9	<u>\$0.54</u>	<u>\$2.89</u>

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 Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit attributable to equity shareholders of the Company		<u>192,915</u>	<u>1,031,411</u>
Other comprehensive income for the year (after tax and reclassification adjustments)	8		
Item that will not be reclassified to profit or loss:			
Remeasurement of employee retirement benefits assets		(1,698)	(1,107)
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities:			
net movement in the securities revaluation reserve		<u>(127,003)</u>	<u>54,479</u>
Other comprehensive income for the year		<u>(128,701)</u>	<u>53,372</u>
Total comprehensive income attributable to equity shareholders of the Company		<u><u>64,214</u></u>	<u><u>1,084,783</u></u>

Consolidated Statement of Financial Position
At 31 December 2015

	Note	2015		2014	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			2,001,100		1,880,200
Other property, plant and equipment			61,407		66,631
Interest in leasehold land			43,138		44,507
			<u>2,105,645</u>		<u>1,991,338</u>
Interest in associates			11,121		13,624
Available-for-sale securities			827,680		521,165
Net employee retirement benefits assets			–		1,420
Deferred tax assets			5,152		5,860
			<u>2,949,598</u>		<u>2,533,407</u>
Current assets					
Inventories			492,906	1,084,599	
Trade and other receivables	10		213,490	893,574	
Other financial assets			90,375	–	
Cash and bank balances			2,391,857	2,530,827	
Tax recoverable			35,283	35,412	
			<u>3,223,911</u>	<u>4,544,412</u>	
Current liabilities					
Trade and other payables	11		261,308	1,027,561	
Tax payable			210,798	188,298	
			<u>472,106</u>	<u>1,215,859</u>	
Net current assets			<u>2,751,805</u>		<u>3,328,553</u>
Total assets less current liabilities			<u>5,701,403</u>		<u>5,861,960</u>
Non-current liabilities					
Net employee retirement benefits liabilities			4,330	–	
Deferred tax liabilities			44,968	38,929	38,929
			<u>49,298</u>	<u>38,929</u>	<u>38,929</u>
NET ASSETS			<u>5,652,105</u>		<u>5,823,031</u>
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			3,897,304		4,068,230
TOTAL EQUITY			<u>5,652,105</u>		<u>5,823,031</u>

Notes to the Financial Statements

1. STATEMENT OF COMPLIANCE

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the 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 Hong Kong Companies Ordinance.

The financial statements 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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 financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010 – 2012 Cycle*
- *Annual Improvements to HKFRSs 2011 – 2013 Cycle*

These developments have had no material impact on the Group's consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.
- 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.

3. SEGMENT INFORMATION (Continued)

The segment information for the years ended 31 December 2015 and 2014 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Property development	728,525	3,186,610	–	–	728,525	3,186,610
Property investment	89,786	75,215	–	60	89,786	75,155
Ferry, shipyard and related operations	147,766	137,644	3,356	3,010	144,410	134,634
Travel operation	95,309	118,968	304	428	95,005	118,540
Securities investment	27,063	16,147	–	–	27,063	16,147
Others	85,398	86,432	66,336	61,584	19,062	24,848
	<u>1,173,847</u>	<u>3,621,016</u>	<u>69,996</u>	<u>65,082</u>	<u>1,103,851</u>	<u>3,555,934</u>

Analysed by:

Revenue	1,067,656	3,506,967
Other revenue	<u>36,195</u>	<u>48,967</u>
	<u>1,103,851</u>	<u>3,555,934</u>

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

Revenue 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.

(b) Segment result

	Reportable segment profit	
	2015 HK\$'000	2014 HK\$'000
Property development	151,690	1,023,352
Property investment (note 3(d))	59,132	176,186
Ferry, shipyard and related operations	13,906	8,228
Travel operation	(9,507)	(8,130)
Securities investment	(1,552)	(293)
Others (note 3(e))	<u>16,739</u>	<u>23,988</u>
	<u>230,408</u>	<u>1,223,331</u>

3. SEGMENT INFORMATION (Continued)

(c) Reconciliation of reportable segment profit

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Reportable segment profit derived from external customers	230,408	1,223,331
Share of profits less losses of associates	<u>1,063</u>	<u>818</u>
Profit before taxation in the consolidated statement of profit or loss	<u><u>231,471</u></u>	<u><u>1,224,149</u></u>

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$15,627,000 (2014: HK\$141,676,000).

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

(f) Other segment information

	Depreciation and amortisation		Impairment loss/ (reversal of impairment losses)		Capital expenditure incurred	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Property investment	4	6	8	–	107,050	486,624
Ferry, shipyard and related operations	6,723	6,465	2,062	(50)	327	2,301
Travel operation	197	171	–	250	171	326
Securities investment	–	–	51,992	15,790	–	–
Others	<u>338</u>	<u>687</u>	<u>–</u>	<u>–</u>	<u>174</u>	<u>272</u>
	<u><u>7,262</u></u>	<u><u>7,329</u></u>	<u><u>54,062</u></u>	<u><u>15,990</u></u>	<u><u>107,722</u></u>	<u><u>489,523</u></u>

4. OTHER REVENUE AND NET INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other revenue		
Management fee income	13,060	11,149
Air-conditioning charges income	9,086	7,891
Other interest income	7,017	20,874
Other income	<u>7,032</u>	<u>9,053</u>
	<u>36,195</u>	<u>48,967</u>
Other net income		
Net profit on disposal of available-for-sale securities	34,401	–
Income from sale of spare parts	808	771
Net exchange gains/(losses)	388	(738)
Net unrealised loss on financial assets designated at fair value through profit or loss	(9,625)	–
Net loss on disposal of other property, plant and equipment	(3)	–
Net profit on disposal of unlisted investment	–	658
Sundry income	<u>843</u>	<u>822</u>
	<u>26,812</u>	<u>1,513</u>

5. PROFIT BEFORE TAXATION

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

(a) **Staff costs:**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plan	4,091	1,580
Contributions to defined contribution retirement plan	<u>2,778</u>	<u>2,725</u>
Total retirement costs	6,869	4,305
Salaries, wages and other benefits	<u>92,463</u>	<u>88,534</u>
	<u>99,332</u>	<u>92,839</u>

5. PROFIT BEFORE TAXATION (Continued)

(b) Other items:

	2015	2014
	HK\$'000	HK\$'000
Amortisation of leasehold land premium	1,369	1,369
Depreciation	5,893	5,960
Cost of inventories	531,507	2,052,562
Auditor's remuneration		
– audit services	1,689	1,630
– other services	305	305
Operating lease charges: minimum lease payments – property rentals	5,217	5,707
Impairment losses on trade and other receivables	2,070	200
Rentals receivable from investment properties less direct outgoings of HK\$33,250,000 (2014: HK\$29,919,000) (<i>note</i>)	(33,379)	(25,322)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK\$994,000 (2014: HK\$982,000)	(4,269)	(5,250)
Interest income	(25,978)	(45,354)
Dividend income from listed investments	(24,756)	(15,376)

Note: Included contingent rental income of HK\$707,000 (2014: HK\$107,000).

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	31,890	161,500
(Over)/under-provision in respect of prior years	(81)	11,735
	31,809	173,235
Deferred tax		
Origination and reversal of temporary differences	6,747	19,503
	38,556	192,738

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Government of Hong Kong Special Administrative Region of 75% of the tax payable for the year of assessment 2014-15 subject to a maximum reduction of HK\$20,000 for each business (2014: a maximum reduction of HK\$10,000 was granted for the year of assessment 2013-14 and was taken into account in calculating the provision for 2014).

7. DIVIDENDS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2014: HK10 cents) per ordinary share	35,627	35,627
First special dividend declared and paid of Nil (2014: HK90 cents) per ordinary share	–	320,647
Final dividend proposed after the end of the reporting period of HK26 cents (2014: HK26 cents) per ordinary share	92,631	92,631
Second special dividend proposed after the end of the reporting period of Nil (2014: HK30 cents) per ordinary share	<u>–</u>	<u>106,882</u>
	<u>128,258</u>	<u>555,787</u>

The 2015 final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2014: HK26 cents) per ordinary share	92,631	92,631
Second special dividend in respect of the previous financial year, approved and paid during the year, of HK30 cents (2014: Nil) per ordinary share	<u>106,882</u>	<u>–</u>
	<u>199,513</u>	<u>92,631</u>

8. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Remeasurement of employee retirement benefits assets	<u>(1,698)</u>	<u>(1,107)</u>
Available-for-sale securities		
Changes in fair value recognised during the year	(145,741)	38,689
Reclassification adjustments for amounts transferred to profit or loss:		
– profit on disposal	(33,254)	–
– impairment losses	<u>51,992</u>	<u>15,790</u>
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	<u>(127,003)</u>	<u>54,479</u>
Other comprehensive income	<u>(128,701)</u>	<u>53,372</u>

Tax effect of the above components of other comprehensive income is HK\$Nil.

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\$192,915,000 (2014: HK\$1,031,411,000) and 356,273,883 (2014: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2015 and 2014, therefore diluted earnings per share are the same as basic earnings per share for both years.

10. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	151,041	180,762
Less: allowance for doubtful debts	<u>(2,070)</u>	<u>–</u>
	148,971	180,762
Cash held by stakeholders	18,078	648,216
Other receivables and prepayments	<u>46,441</u>	<u>64,596</u>
	<u>213,490</u>	<u>893,574</u>

All of the trade and other receivables except for instalment receivables of HK\$88,643,000 (2014: HK\$98,497,000) 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\$37,111,000 (2014: HK\$38,120,000) which are unsecured, interest-free and have no fixed terms of repayment.

10. TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis based on due date at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current	125,133	151,119
1 to 3 months overdue	19,566	25,761
More than 3 months but less than 12 months overdue	4,265	2,575
More than 12 months overdue	<u>7</u>	<u>1,307</u>
	<u>148,971</u>	<u>180,762</u>

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 except for an amount of HK\$12,492,000 (2014: HK\$7,622,000) are expected to be settled or recognised as income within one year. Included in the trade and other payables are amounts due to related companies of HK\$178,573,000 (2014: HK\$568,502,000) which are unsecured, interest-free and repayable within 30-45 days or have no fixed terms of repayment.

Included in trade and other payables are trade payables with the following ageing analysis based on due date at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Due within 1 month or on demand	205,403	665,918
Due after 1 month but within 3 months	1,053	915
Due after 3 months but within 12 months	7	–
More than 12 months	<u>9</u>	<u>8</u>
	<u>206,472</u>	<u>666,841</u>

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2015 of HK26 cents per share (2014: final and second special dividends of HK26 cents and HK30 cents per share respectively). Subject to shareholders' approval at the annual general meeting to be held on Monday, 23 May 2016, the final dividend will be paid on or about Monday, 13 June 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 2 June 2016. The final dividend, together with the interim dividend of HK10 cents per share has already paid, will make a total distribution of HK36 cents for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Friday, 20 May 2016 and Monday, 23 May 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 19 May 2016.

In addition, the Register of Members of the Company will be closed on Wednesday, 1 June 2016 and Thursday, 2 June 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 31 May 2016.

BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Metro6 and Green Code. The decrease in profit is mainly due to the profit derived from the sale of Metro6, a small scale development project completed in the year, is far less than that derived from the sale of Green Code, a large scale development project completed last year.

Property Development and Investment Operations

During 2015, the Group had sold a total of 83 residential units of Metro6 and 19 residential units of Green Code contributing to a total profit of approximately HK\$158 million. The unsold residential units of Metro6 and Green Code were 12 and 10 respectively at the year end. The gross rental and other income from the commercial arcades of the Group amounted to approximately HK\$78 million.

The two floors of the commercial podium of Green Code have a gross floor area of approximately 136,000 sq. ft.. The leasing status of the commercial podium of Green Code was satisfactory with the committed occupancy rate stood at 79% at the year end.

The shops at the commercial podium of Metro6 were delivered to the tenants in the third quarter of 2015 and the committed tenancy was 97% at the year end. The commercial podium has a gross floor area of approximately 10,000 sq. ft..

BUSINESS REVIEW (Continued)

Property Development and Investment Operations (Continued)

The commercial arcades of Shining Heights and The Spectacle were fully let whereas the occupancy rate of the commercial arcades of Metro Harbour Plaza was about 98% at the year end.

In January 2016, the Group has launched the sale of the residential units of Harbour Park (Tung Chau Street project) in phases and the response is satisfactory. The project will provide a total gross floor area of approximately 55,000 sq. ft. and is expected to be completed in 2017.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK\$14 million, an increase of 69% as compared with last year.

Travel Operation

Due to the prolonged weakening of the local tourist and consumption market, the operating results of the Travel Operation recorded a deficit of HK\$9.5 million this year, representing an increase of 17% as compared with last year.

Securities Investment

During the year, a loss of HK\$1.6 million in Securities Investment was recorded mainly due to the impairment loss on securities investment in excess of the income from and disposal gain of securities.

FINANCIAL REVIEW

Review of Results

The Group's revenue for the year amounted to approximately HK\$1,068 million, representing a decrease of 70% when compared to the previous year. This was mainly attributed to the decrease in the sale of residential units of Green Code.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2015, shareholders' fund of the Group showed a decrease of around 2.9% as compared to the previous year and amounted to approximately HK\$5,652 million. The decrease was mainly due to the net effect of the decrease in property sales, impairment loss on securities 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 Green Code and Metro6.

FINANCIAL REVIEW (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK\$2.2 million was received from an associate which provided mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK\$3,224 million as compared to the current liabilities of approximately HK\$472 million as of 31 December 2015. Current ratio of the Group had been increased to 6.8, mainly attributed to the decrease in trade and other payables.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2015, 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.

Employees

As at 31 December 2015, the number of employees of the Group stood at about 300 (2014: about 300). 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\$99 million, which was commensurate with that recorded in the previous year.

PROSPECTS

The world economy is sluggish and the pace of economic growth in various countries will be different from each other. The economic recovery in the US caused the Federal Reserve to initiate the rise in the interest rate cycle, whereas the European Central Bank, due to the weak economy, expanded quantitative easing, widened negative interest rates and subsidised banks to encourage lending. The emerging markets are under the pressure of the strong US dollar, fall in commodity and oil prices, as well as poor demand in trade. These challenges are expected to persist in 2016.

It is expected that Hong Kong, affected by the above external factors, will likely have slow growth and weak external trade and tourism. The Government Budget forecast real gross domestic product to grow at 1%-2% in 2016, which is lower than last year.

The local property market is in a period of correction. The prices of medium and small-sized residential flats fell by around 10% in the past year, and are expected to further adjust in the coming year. The Group will take hold of future opportunities to replenish its land banks at fair prices.

PROSPECTS (Continued)

The sale of the remaining residential units in Green Code and Metro6 will be the main source of income of the Group in 2016. Harbour Park, scheduled to be completed in 2017, will be the Group's major project for sale this year.

CORPORATE GOVERNANCE

The Company is committed to maintain high standard of corporate governance. In the opinion of the Board of Directors, the Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2015 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") 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 standard set out in the Model Code throughout the year ended 31 December 2015.

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 of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.hkf.com. The annual report of the Company for the year ended 31 December 2015 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 2016

As at the date of this announcement, the executive directors of the Company are Dr. 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 Chau 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.