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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)

2016 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2016 amounted to approximately HK\$237 million, an increase of 23% as compared with the profit after taxation of HK\$193 million last year. The earnings per share this year were HK\$0.66 compared with the earnings per share of HK\$0.54 in the previous year.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 HK\$'000	2015 (restated) HK\$'000
Continuing operations			
Revenue	3(a)	501,759	973,625
Direct costs		(245,205)	(661,095)
		<u>256,554</u>	<u>312,530</u>
Other revenue	3(a) & 4	46,175	35,221
Other net income	4	47,310	26,520
Valuation gains on investment properties	3(d)	59,305	15,627
Impairment loss on available-for-sale securities		(46,281)	(51,992)
Selling and marketing expenses		(25,311)	(45,922)
Administrative expenses		(42,097)	(43,547)
Other operating expenses		(4,628)	(8,522)
		<u>291,027</u>	<u>239,915</u>
Profit from operations	3(b)	291,027	239,915
Share of profits less losses of associates		920	1,063
Share of loss of a joint venture		(5)	–
Gain on disposal of subsidiaries		4,561	–
		<u>296,503</u>	<u>240,978</u>
Profit before taxation	6	296,503	240,978
Taxation	7	(51,942)	(38,556)
		<u>244,561</u>	<u>202,422</u>
Profit for the year from continuing operations		244,561	202,422
Discontinued operation			
Loss for the year from discontinued operation	5	(7,883)	(9,507)
		<u>236,678</u>	<u>192,915</u>
Profit attributable to equity shareholders of the Company		236,678	192,915
Earnings/(loss) per share – Basic and diluted	10		
– Continuing operations		\$0.68	\$0.57
– Discontinued operation		(0.02)	(0.03)
		<u>\$0.66</u>	<u>\$0.54</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

	2016	2015
	HK\$'000	(restated) HK\$'000
<i>Note</i>		
Profit attributable to equity shareholders of the Company	<u>236,678</u>	<u>192,915</u>
Other comprehensive income for the year (after tax and reclassification adjustments)	<i>9</i>	
Item that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits liabilities	649	(1,698)
Item that may be reclassified subsequently to profit or loss:		
Available-for-sale securities:		
net movement in the securities revaluation reserve	<u>28,871</u>	<u>(127,003)</u>
Other comprehensive income for the year	<u>29,520</u>	<u>(128,701)</u>
Total comprehensive income attributable to equity shareholders of the Company	<u><u>266,198</u></u>	<u><u>64,214</u></u>

Consolidated Statement of Financial Position
At 31 December 2016

		2016		2015	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			2,050,655		2,001,100
Other property, plant and equipment			58,957		61,407
Interest in leasehold land			41,769		43,138
			<u>2,151,381</u>		<u>2,105,645</u>
Interest in associates			10,449		11,121
Interest in a joint venture			1,354,395		–
Available-for-sale securities			661,542		827,680
Deferred tax assets			5,248		5,152
			<u>4,183,015</u>		<u>2,949,598</u>
Current assets					
Inventories			487,162		492,906
Trade and other receivables	11		853,769		213,490
Other financial assets			20,000		90,375
Cash and bank balances			949,449		2,391,857
Tax recoverable			22,174		35,283
			<u>2,332,554</u>		<u>3,223,911</u>
Current liabilities					
Trade and other payables	12		629,706		261,308
Tax payable			41,288		210,798
			<u>670,994</u>		<u>472,106</u>
Net current assets			<u>1,661,560</u>		<u>2,751,805</u>
Total assets less current liabilities			<u>5,844,575</u>		<u>5,701,403</u>
Non-current liabilities					
Net employee retirement benefits liabilities			4,468		4,330
Deferred tax liabilities			50,062		44,968
			<u>54,530</u>		<u>49,298</u>
NET ASSETS			<u>5,790,045</u>		<u>5,652,105</u>
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			4,035,244		3,897,304
TOTAL EQUITY			<u>5,790,045</u>		<u>5,652,105</u>

Notes to the Financial Information

1. BASIS OF PREPARATION

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 financial information relating to the years ended 31 December 2016 and 2015 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 2015 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 2016 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 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. 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. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012 – 2014 Cycle*
- *Amendment to HKAS 1, Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group’s result and financial position for the current or prior periods have been prepared or presented.

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.

Continuing operations:

- Property development: development and sale of properties.
- Property investment: rental income from leasing of properties.
- Ferry, shipyard and related operations: income from operation of dangerous goods vehicular ferry service and ship repairs and maintenance services and sales of goods on cruise vessels.
- Securities investment: dividend, interest and other income from debt and equity securities investments.

Discontinued operation:

- Travel operation: income from management and operation of travel agency services.

The travel operation has been disposed of and classified as discontinued operation and the related information has been set out in note 5.

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 most 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 2016 and 2015 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<u>Continuing operations:</u>						
Property development	225,980	728,525	–	–	225,980	728,525
Property investment	121,559	89,786	–	–	121,559	89,786
Ferry, shipyard and related operations	156,930	147,766	2,525	3,356	154,405	144,410
Securities investment	31,984	27,063	–	–	31,984	27,063
Others	74,399	85,398	60,393	66,336	14,006	19,062
	610,852	1,078,538	62,918	69,692	547,934	1,008,846
<u>Discontinued operation:</u>						
Travel operation	62,020	95,309	117	304	61,903	95,005
	672,872	1,173,847	63,035	69,996	609,837	1,103,851
<u>Analysed by:</u>						
<u>Continuing operations</u>						
Revenue					501,759	973,625
Other revenue					46,175	35,221
					547,934	1,008,846
<u>Discontinued operation</u>						
Revenue					60,520	94,031
Other revenue					1,383	974
					61,903	95,005
					609,837	1,103,851

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses and securities investment after the Group's travel operation has been disposed of as set out in note 5.

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.

3. SEGMENT INFORMATION (Continued)

(b) Segment result

	Reportable segment profit	
	2016	2015
	HK\$'000	HK\$'000
<u>Continuing operations:</u>		
Property development	150,613	151,690
Property investment (<i>note 3(d)</i>)	124,459	59,132
Ferry, shipyard and related operations	13,767	13,906
Securities investment	(6,806)	(1,552)
Others (<i>note 3(e)</i>)	8,994	16,739
	291,027	239,915
<u>Discontinued operation:</u>		
Travel operation	(7,780)	(9,507)
	283,247	230,408

(c) Reconciliation of reportable segment profit – Continuing operations

	2016	2015
	HK\$'000	HK\$'000
<u>Continuing operations:</u>		
Reportable segment profit derived from external customers of continuing operations	291,027	239,915
Share of profits less losses of associates and a joint venture	915	1,063
Gain on disposal of subsidiaries	4,561	–
Profit before taxation from continuing operations in the consolidated statement of profit or loss	296,503	240,978

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$59,305,000 (2015: HK\$15,627,000).

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

3. SEGMENT INFORMATION (Continued)

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<u>Continuing operations:</u>						
Property investment	3	4	81	8	–	107,050
Ferry, shipyard and related operations	6,878	6,723	–	2,062	3,763	327
Securities investment	–	–	46,281	51,992	–	–
Others	201	338	–	–	35	174
	<u>7,082</u>	<u>7,065</u>	<u>46,362</u>	<u>54,062</u>	<u>3,798</u>	<u>107,551</u>
<u>Discontinued operation:</u>						
Travel operation	171	197	–	–	76	171
	<u>7,253</u>	<u>7,262</u>	<u>46,362</u>	<u>54,062</u>	<u>3,874</u>	<u>107,722</u>

4. OTHER REVENUE AND NET INCOME

	2016 <i>HK\$'000</i>	2015 (restated) <i>HK\$'000</i>
Other revenue		
Management fee income	19,053	13,060
Air-conditioning charges income	12,028	9,086
Other interest income	8,527	7,017
Other income	6,567	6,058
	<u>46,175</u>	<u>35,221</u>

4. OTHER REVENUE AND NET INCOME (Continued)

	2016	2015
	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
Other net income		
Cost adjustment (<i>note</i>)	34,145	–
Net profit on disposal of available-for-sale securities	18,928	34,401
Net profit on disposal of investment properties	2,508	–
Income from sale of spare parts	430	808
Net exchange gains	7	96
Net loss on disposal of financial assets designated at fair value through profit or loss	(10,040)	–
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	(1)	(3)
Sundry income	1,333	843
	<u>47,310</u>	<u>26,520</u>

Note: Costs adjustment represents the revision of the original construction costs of the properties completed in prior years, confirmed by the surveyors during the year ended 31 December 2016.

5. DISCONTINUED OPERATION

On 14 July 2016, the Group entered into a sale and purchase agreement with Miramar Travel Limited (“Miramar Travel”), a subsidiary of Miramar Hotel and Investment Company, Limited (“Miramar”), to dispose of the Group’s entire interest of HYFCO Travel Agency Limited and its subsidiary (“HYFCO Travel Group”) at an aggregate consideration based on an agreed value of HK\$5,000,000.

Upon completion of the disposal of HYFCO Travel Group, the Group’s travel operation would cease. Accordingly, the operation of HYFCO Travel Group was classified as discontinued operation.

The disposal of HYFCO Travel Group was completed on 6 October 2016 and the Group’s travel operation ceased thereafter.

The results of the discontinued operation for the current and prior years are as follows:

	Travel operation	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	60,520	94,031
Direct costs	<u>(52,565)</u>	<u>(80,788)</u>
	7,955	13,243
Other revenue	1,383	974
Other net income	160	292
Administrative expenses	(5,340)	(9,547)
Other operating expenses	<u>(11,938)</u>	<u>(14,469)</u>
Loss before taxation	(7,780)	(9,507)
Income tax	<u>(103)</u>	–
Loss for the year	<u>(7,883)</u>	<u>(9,507)</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the amounts as set out below. The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation.

(a) Staff costs:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plan	1,444	4,091
Contributions to defined contribution retirement plan	<u>2,775</u>	<u>2,778</u>
Total retirement costs	4,219	6,869
Salaries, wages and other benefits	<u>90,915</u>	<u>92,463</u>
	<u><u>95,134</u></u>	<u><u>99,332</u></u>

(b) Other items:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,369	1,369
Depreciation	5,884	5,893
Cost of inventories	87,224	531,507
Auditor's remuneration		
– audit services	1,692	1,689
– other services	335	305
Operating lease charges: minimum lease payments		
– property rentals	2,146	5,217
Impairment losses on trade and other receivables	90	2,070
Rentals receivable from investment properties less direct outgoings of HK\$46,114,000 (2015: HK\$33,250,000) (<i>note</i>)	(42,985)	(33,379)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK\$1,010,000 (2015: HK\$994,000)	(2,281)	(4,269)
Interest income	(22,531)	(25,978)
Dividend income from listed investments	<u>(25,219)</u>	<u>(24,756)</u>

Note: Included contingent rental income of HK\$2,454,000 (2015: HK\$707,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	35,356	31,890
Under/(over)-provision in respect of prior years	<u>11,691</u>	<u>(81)</u>
	47,047	31,809
Deferred tax		
Origination and reversal of temporary differences	<u>4,895</u>	<u>6,747</u>
	<u><u>51,942</u></u>	<u><u>38,556</u></u>

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 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 2015/16 subject to a maximum reduction of HK\$20,000 for each business (2015: a maximum reduction of HK\$20,000 was granted for the year of assessment 2014/15 and was taken into account in calculating the provision for 2015).

In prior years, the Inland Revenue Department (“IRD”) raised additional profits tax assessments on a subsidiary of the Group covering the years of assessment from 2001/02 to 2009/10 as the IRD disallowed the deduction of certain capital expenditure incurred by the subsidiary. Notices of objection were filed with the IRD by the subsidiary. In February 2017, the IRD further raised additional profits tax assessments covering the years of assessment from 2010/11 to 2014/15 in respect of such disallowance. Management has sought advice from the Group’s tax adviser and will file a notice of objection against such additional tax assessments.

8. DIVIDENDS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2015: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK26 cents (2015: HK26 cents) per ordinary share	<u>92,631</u>	<u>92,631</u>
	<u><u>128,258</u></u>	<u><u>128,258</u></u>

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

8. DIVIDENDS (Continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2015: 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 Nil (2015: HK30 cents) per ordinary share	—	106,882
	<u>92,631</u>	<u>199,513</u>

9. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Remeasurement of employee retirement benefits liabilities	<u>649</u>	<u>(1,698)</u>
Available-for-sale securities		
Changes in fair value recognised during the year	2,467	(145,741)
Reclassification adjustments for amounts transferred to profit or loss:		
– profit on disposal	(19,877)	(33,254)
– impairment losses	46,281	51,992
	<u>28,871</u>	<u>(127,003)</u>
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	<u>28,871</u>	<u>(127,003)</u>
Other comprehensive income	<u>29,520</u>	<u>(128,701)</u>

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

10. 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\$236,678,000 (2015: HK\$192,915,000) represented by the profit from continuing operations of HK\$244,561,000 (2015: HK\$202,422,000) and the loss from discontinued operation of HK\$7,883,000 (2015: HK\$9,507,000) and 356,273,883 (2015: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2016 and 2015, therefore diluted earnings per share are the same as basic earnings per share for both years.

11. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	332,960	151,041
Less: allowance for doubtful debts	<u>(2,151)</u>	<u>(2,070)</u>
	330,809	148,971
Cash held by stakeholders	457,828	18,078
Other receivables and prepayments	64,720	46,441
Amount due from a joint venture	<u>412</u>	<u>–</u>
	<u>853,769</u>	<u>213,490</u>

All of the trade and other receivables except for instalment receivables of HK\$219,596,000 (2015: HK\$88,643,000) 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\$72,405,000 (2015: HK\$37,111,000) which are unsecured, interest-free and have no fixed terms of repayment.

The amount due from a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and have no fixed terms of repayment. During the year and as at 31 December 2016, the balance did not bear any interest.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	289,963	125,133
1 to 3 months overdue	32,303	19,566
More than 3 months but less than 12 months overdue	8,320	4,265
More than 12 months overdue	<u>223</u>	<u>7</u>
	<u>330,809</u>	<u>148,971</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.

12. TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK\$11,453,000 (2015: HK\$12,492,000) 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\$109,201,000 (2015: HK\$178,573,000) 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Due within 1 month or on demand	125,562	205,403
Due after 1 month but within 3 months	1,341	1,053
Due after 3 months but within 12 months	–	7
More than 12 months	9	9
	<u>126,912</u>	<u>206,472</u>

13. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in note 5. In addition, the comparative figures in the consolidated statement of profit or loss have been restated as if the operation discontinued during the current year had been discontinued at the beginning of the prior period.

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2016 of HK26 cents per share (2015: HK26 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Thursday, 25 May 2017, the final dividend will be paid on or about Wednesday, 14 June 2017 to shareholders whose names appear on the register of members of the Company on Tuesday, 6 June 2017. 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 from Monday, 22 May 2017 to Thursday, 25 May 2017 (both days inclusive), 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 Friday, 19 May 2017.

In addition, the Register of Members of the Company will be closed on Monday, 5 June 2017 and Tuesday, 6 June 2017, 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 Friday, 2 June 2017.

BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Metro6, Green Code and Shining Heights.

Property Development and Investment Operations

During 2016, the profit of the Group from the sale of Metro6, Green Code and Shining Heights amounted to HK\$129 million. The numbers of unsold units of Metro6 and Green Code were 6 and 7 respectively at the year end. The sale of Harbour Park was satisfactory and 145 units were sold during the year, representing 90% of the total number of units.

The gross rental income from the commercial arcades of the Group amounted to approximately HK\$89 million. As at the end of 2016, the occupancy rate of commercial podium of Metro6 was 97% and the commercial arcades of Shining Heights and The Spectacle were fully let. The occupancy rate of commercial arcades of Metro Harbour View was 98%. The committed tenancy of Green Code Plaza was 84%.

Joint Venture Company

The Group through its 50%/50% joint venture with Empire Group Holdings Limited owned by Dr. Walter Kwok Ping Sheung successfully acquired the land for residential use at Tuen Mun Town Lot No. 547 located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories, for HK\$2,708.8 million last year. The land is of a site area of 165,766 square feet and a gross floor area of approximately 663,000 square feet. It faces Gold Coast at the front and Harrow International School Hong Kong at the back. The preliminary design and preparation works of the project are in progress to build approximately 1,800 condominiums by phases in six years.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK\$14 million, similar to that of last year.

Discontinued Operation – Travel Operation

During the year under review, the Travel Operation recorded a loss of HK\$7.9 million. But the Group recorded a one-off profit of HK\$4.6 million upon disposal of the Travel Operation to Miramar Travel Limited in October 2016.

Securities Investment

During the year, a loss of HK\$7 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 from continuing and discontinued operations for the year amounted to approximately HK\$562 million, representing a decrease of 47% when compared to the previous year. This was mainly attributed to the decrease in the sale of residential units of Metro6 and Green Code.

Material acquisitions and disposals

During the year under review, the Group disposed of its travel operation business to Miramar Travel Limited, being a related party of the Group. The transaction was completed in October 2016.

During the year, the Group through its 50%/50% joint venture with Empire Group Holdings Limited ("Empire Group") which is owned by Dr. Walter Kwok Ping Sheung successfully awarded a tender for the land at Tuen Mun Town Lot No. 547 located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories at a land premium of HK\$2,708.8 million.

In December 2016, the Group entered into a shareholders' agreement with Empire Group to govern the respective rights and obligations of the joint venture company. The entire issued share capital of the joint venture is owned as to 50% by the Group and 50% by Empire Group.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2016, shareholders' fund of the Group showed an increase of around 2.4% as compared to the previous year and amounted to approximately HK\$5,790 million. The increase was mainly due to the net effect of the profit realised from property sales, the gains on revaluation of the Group's investment properties, impairment loss on securities and the payment of dividends.

There was no change 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 Metro6, Green Code and Shining Heights.

Current assets of the Group were recorded at approximately HK\$2,333 million and the current liabilities were approximately HK\$671 million as of 31 December 2016. Current ratio of the Group had been decreased to 3.5 as at 31 December 2016, mainly attributed to the decrease in cash and bank balances.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2016, 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 2016, the number of employees of the Group stood at about 210 (2015: 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\$95 million, which was commensurate with that recorded in the previous year.

PROSPECTS

The economies of China and Hong Kong grew 6.7% and 1.9% respectively in 2016. In 2017, the global politics and economy face numerous uncertainties, including the U.S. President Donald Trump's trade policy, protectionism and his Sino-US relationship, the Brexit as well as the elections in the Netherlands, France and Germany, etc. Notwithstanding the above, Hong Kong's economic performance in 2017 is expected to be satisfactory. With the further improvement in the U.S. economy and China's policy of "Maintain stable Growth, Promote Reform, Improve Living Standards", Hong Kong's economy is expected to grow steadily.

Since December last year, the numbers of incoming tourists to Hong Kong have increased in two consecutive months. If this trend prevails, the retail market is expected to further stabilise. As for real estates, due to the repeated aggressive bidding of land plots by mainland developers in public tenders, home buyers expect further appreciation in price of residential properties. The transactions in first-hand property market recently turned active. Despite the possible increase in the mortgage interest rate in Hong Kong following the rise of interest rate in U.S., it may not necessarily cool down the desire to purchase properties.

The Group acquired one half of the land plot in Tuen Mun Town Lot No. 547 in August last year. The accommodation value of approximately HK\$4,100 per square foot is relatively low as compared with the subsequent tender of land in the vicinity. The Group is now developing the plot in full speed in order to bring satisfactory returns to the shareholders. The proceeds from the sale of the remaining units of Metro6 and Green Code will be the main source of income of the Group in 2017.

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 2016.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2016 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 2016.

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 2016 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
Dr. Lam Ko Yin, Colin
Chairman

On behalf of the Board
Li Ning
Director

Hong Kong, 17 March 2017

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 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.