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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)

2017 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2017 amounted to approximately HK\$346 million, an increase of 46% as compared with the profit after taxation of HK\$237 million last year. The earnings per share this year were HK\$0.97 compared with the earnings per share of HK\$0.66 in the previous year.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Continuing operations			
Revenue	3(a)	493,529	501,759
Direct costs		(231,120)	(245,205)
		<u>262,409</u>	<u>256,554</u>
Other revenue	3(a) & 4	59,353	46,175
Other net income	4	66,478	47,310
Valuation gains on investment properties	3(d)	56,954	59,305
Impairment loss on available-for-sale securities		–	(46,281)
Selling and marketing expenses		(11,510)	(25,311)
Administrative expenses		(44,263)	(42,097)
Other operating expenses		(4,293)	(4,628)
		<u>385,128</u>	<u>291,027</u>
Profit from operations	3(b)	385,128	291,027
Share of profits less losses of associates		926	920
Share of loss of a joint venture		(101)	(5)
Gain on disposal of subsidiaries		–	4,561
		<u>385,953</u>	<u>296,503</u>
Profit before taxation	6	385,953	296,503
Taxation	7	(39,661)	(51,942)
		<u>346,292</u>	<u>244,561</u>
Profit for the year from continuing operations		346,292	244,561
Discontinued operation			
Loss for the year from discontinued operation	5	–	(7,883)
		<u>346,292</u>	<u>236,678</u>
Profit attributable to equity shareholders of the Company		346,292	236,678
Earnings/(loss) per share – Basic and diluted	10		
– Continuing operations		\$0.97	\$0.68
– Discontinued operation		–	(0.02)
		<u>\$0.97</u>	<u>\$0.66</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 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Profit attributable to equity shareholders of the Company		<u>346,292</u>	<u>236,678</u>
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Item that will not be reclassified to profit or loss:			
Remeasurement of employee retirement benefits liabilities		2,125	649
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities:			
net movement in the securities revaluation reserve		<u>565</u>	<u>28,871</u>
Other comprehensive income for the year		<u>2,690</u>	<u>29,520</u>
Total comprehensive income attributable to equity shareholders of the Company		<u><u>348,982</u></u>	<u><u>266,198</u></u>

Consolidated Statement of Financial Position
At 31 December 2017

	<i>Note</i>	2017		2016	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Investment properties			2,107,585		2,050,655
Other property, plant and equipment			56,123		58,957
Interest in leasehold land			40,400		41,769
			2,204,108		2,151,381
Interest in associates			9,109		10,449
Interest in a joint venture			1,364,295		1,354,395
Available-for-sale securities			176,306		661,542
Deferred tax assets			5,036		5,248
			3,758,854		4,183,015
Current assets					
Inventories		559,490		487,162	
Trade and other receivables	<i>11</i>	690,613		853,769	
Other financial assets		–		20,000	
Cash and bank balances		1,791,679		949,449	
Tax recoverable		27,860		22,174	
		3,069,642		2,332,554	
Current liabilities					
Trade and other payables	<i>12</i>	743,320		629,706	
Tax payable		16,230		41,288	
		759,550		670,994	
Net current assets			2,310,092		1,661,560
Total assets less current liabilities			6,068,946		5,844,575
Non-current liabilities					
Net employee retirement benefits liabilities		3,024		4,468	
Deferred tax liabilities		55,153	58,177	50,062	54,530
NET ASSETS			6,010,769		5,790,045
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			4,255,968		4,035,244
TOTAL EQUITY			6,010,769		5,790,045

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 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 (the “Listing Rules”).

The financial information relating to the years ended 31 December 2017 and 2016 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 2016 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 2017 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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 2017 and 2016 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<u>Continuing operations:</u>						
Property development	192,995	225,980	–	–	192,995	225,980
Property investment	132,056	121,559	–	–	132,056	121,559
Ferry, shipyard and related operations	185,597	156,930	1,349	2,525	184,248	154,405
Securities investment	25,760	31,984	–	–	25,760	31,984
Others	77,244	74,399	59,421	60,393	17,823	14,006
	<u>613,652</u>	<u>610,852</u>	<u>60,770</u>	<u>62,918</u>	<u>552,882</u>	<u>547,934</u>
<u>Discontinued operation:</u>						
Travel operation	–	62,020	–	117	–	61,903
	<u>613,652</u>	<u>672,872</u>	<u>60,770</u>	<u>63,035</u>	<u>552,882</u>	<u>609,837</u>
Analysed by:						
<u>Continuing operations</u>						
Revenue					493,529	501,759
Other revenue					59,353	46,175
					<u>552,882</u>	<u>547,934</u>
<u>Discontinued operation</u>						
Revenue					–	60,520
Other revenue					–	1,383
					<u>–</u>	<u>61,903</u>
					<u>552,882</u>	<u>609,837</u>

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 had been disposed of during the year ended 31 December 2016 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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Continuing operations:</u>		
Property development	129,211	150,613
Property investment (<i>note 3(d)</i>)	124,989	124,459
Ferry, shipyard and related operations	30,279	13,767
Securities investment	88,802	(6,806)
Others (<i>note 3(e)</i>)	11,847	8,994
	<u>385,128</u>	<u>291,027</u>
<u>Discontinued operation:</u>		
Travel operation	–	(7,780)
	<u>385,128</u>	<u>283,247</u>

(c) Reconciliation of reportable segment profit – Continuing operations

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Continuing operations:</u>		
Reportable segment profit derived from external customers of continuing operations	385,128	291,027
Share of profits less losses of associates and a joint venture	825	915
Gain on disposal of subsidiaries	–	4,561
	<u>385,953</u>	<u>296,503</u>

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$56,954,000 (2016: HK\$59,305,000).

(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	
	2017	2016	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Continuing operations:</u>						
Property investment	2	3	-	81	-	-
Ferry, shipyard and related operations	6,848	6,878	-	-	2,096	3,763
Securities investment	-	-	-	46,281	-	-
Others	195	201	-	-	746	35
	<u>7,045</u>	<u>7,082</u>	<u>-</u>	<u>46,362</u>	<u>2,842</u>	<u>3,798</u>
<u>Discontinued operation:</u>						
Travel operation	-	171	-	-	-	76
	<u>7,045</u>	<u>7,253</u>	<u>-</u>	<u>46,362</u>	<u>2,842</u>	<u>3,874</u>

4. OTHER REVENUE AND NET INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other revenue		
Management fee income	21,227	19,053
Other interest income	17,325	8,527
Air-conditioning charges income	13,895	12,028
Other income	6,906	6,567
	<u>59,353</u>	<u>46,175</u>

4. OTHER REVENUE AND NET INCOME (Continued)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other net income		
Net profit on disposal of available-for-sale securities	61,522	18,928
Net profit/(loss) on disposal of financial assets designated at fair value through profit or loss	2,930	(10,040)
Income from sale of spare parts	1,241	430
Cost adjustment (<i>note</i>)	106	34,145
Net profit/(loss) on disposal of other property, plant and equipment	3	(1)
Net profit on disposal of investment properties	–	2,508
Net exchange (losses)/gains	(29)	7
Sundry income	705	1,333
	<u>66,478</u>	<u>47,310</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.

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, 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 ceased. 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 prior year is as follows:

	Travel operation 2016 <i>HK\$'000</i>
Revenue	60,520
Direct costs	<u>(52,565)</u>
	7,955
Other revenue	1,383
Other net income	160
Administrative expenses	(5,340)
Other operating expenses	<u>(11,938)</u>
Loss before taxation	(7,780)
Income tax	<u>(103)</u>
Loss for the year	<u><u>(7,883)</u></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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plan	1,346	1,444
Contributions to defined contribution retirement plan	<u>2,427</u>	<u>2,775</u>
Total retirement costs	3,773	4,219
Salaries, wages and other benefits	<u>87,389</u>	<u>90,915</u>
	<u><u>91,162</u></u>	<u><u>95,134</u></u>

(b) Other items:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,369	1,369
Depreciation	5,676	5,884
Cost of inventories	56,486	87,224
Auditor's remuneration		
– audit services	1,737	1,692
– other services	335	335
Operating lease charges: minimum lease payments		
– property rentals	2,684	2,146
Impairment losses on trade and other receivables	–	90
Rentals receivable from investment properties less direct outgoings of HK\$51,340,000 (2016: HK\$46,114,000) (<i>note</i>)	(44,096)	(42,985)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK\$1,731,000 (2016: HK\$1,010,000)	(1,193)	(2,281)
Interest income	(35,148)	(22,531)
Dividend income from listed investments	<u>(11,663)</u>	<u>(25,219)</u>

Note: Included contingent rental income of HK\$2,324,000 (2016: HK\$2,454,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	34,533	35,356
(Over)/under-provision in respect of prior years	<u>(175)</u>	<u>11,691</u>
	34,358	47,047
Deferred tax		
Origination and reversal of temporary differences	<u>5,303</u>	<u>4,895</u>
	<u><u>39,661</u></u>	<u><u>51,942</u></u>

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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 2016/17 subject to a maximum reduction of HK\$20,000 for each business (2016: a maximum reduction of HK\$20,000 was granted for the year of assessment 2015/16 and was taken into account in calculating the provision for 2016).

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 has filed a notice of objection against such additional tax assessments.

8. DIVIDENDS

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2016: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK28 cents (2016: HK26 cents) per ordinary share	<u>99,757</u>	<u>92,631</u>
	<u><u>135,384</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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2016: HK26 cents) per ordinary share	<u>92,631</u>	<u>92,631</u>

9. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Remeasurement of employee retirement benefits liabilities	<u>2,125</u>	<u>649</u>
Available-for-sale securities		
Changes in fair value recognised during the year	63,391	2,467
Reclassification adjustments for amounts transferred to profit or loss:		
– profit on disposal	(62,826)	(19,877)
– impairment losses	<u>–</u>	<u>46,281</u>
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	<u>565</u>	<u>28,871</u>
Other comprehensive income	<u>2,690</u>	<u>29,520</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\$346,292,000 (2016: HK\$236,678,000) represented by the profit from continuing operations of HK\$346,292,000 (2016: HK\$244,561,000) and the loss from discontinued operation of HK\$Nil (2016: HK\$7,883,000) and 356,273,883 (2016: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2017 and 2016, therefore diluted earnings per share are the same as basic earnings per share for both years.

11. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	356,177	332,960
Less: allowance for doubtful debts	(2,151)	(2,151)
	354,026	330,809
Cash held by stakeholders	120,675	457,828
Other receivables and prepayments	190,538	64,720
Amount due from a joint venture	25,374	412
	690,613	853,769

All of the trade and other receivables except for instalment receivables of HK\$220,829,000 (2016: HK\$219,596,000) 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\$54,889,000 (2016: HK\$72,405,000) 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 has no fixed terms of repayment. During the years and as at 31 December 2017 and 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current	321,335	289,963
1 to 3 months overdue	27,137	32,303
More than 3 months but less than 12 months overdue	3,518	8,320
More than 12 months overdue	2,036	223
	354,026	330,809

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\$10,743,000 (2016: HK\$11,453,000) 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\$77,154,000 (2016: HK\$109,201,000) 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due within 1 month or on demand	98,595	125,562
Due after 1 month but within 3 months	1,274	1,341
Due after 3 months but within 12 months	–	–
More than 12 months	9	9
	<hr/> 99,878 <hr/>	<hr/> 126,912 <hr/>

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2017 of HK28 cents per share (2016: HK26 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Monday, 28 May 2018, the final dividend will be paid on or about Thursday, 14 June 2018 to shareholders whose names appear on the register of members of the Company on Thursday, 7 June 2018. The final dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK38 cents for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 23 May 2018 to Monday, 28 May 2018 (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 Monday, 21 May 2018.

In addition, the Register of Members of the Company will be closed on Wednesday, 6 June 2018 and Thursday, 7 June 2018, 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, 5 June 2018.

BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Green Code and The Spectacle and the car parking spaces of Shining Heights.

Property Development and Investment Operations

During 2017, the profit of the Group from the sale of the residential units of Green Code, The Spectacle and Metro6 and car parking spaces of Shining Heights amounted to HK\$129 million. The pre-sale of Harbour Park was satisfactory and over 97% of the residential units had been sold. The occupation permit has been issued in January 2018 and the flats would be handed over to the owners for occupation in the first half year of 2018.

The gross rental income from the commercial arcades of the Group amounted to approximately HK\$95 million. As at the end of 2017, the commercial arcades of Shining Heights, The Spectacle and Metro6 were fully let. The occupancy rate of commercial arcades of Metro Harbour View and Green Code Plaza were 99% and 94% respectively.

Joint Venture Company

The construction of the Group's 50%/50% joint venture project with Empire Group Holdings Limited located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories (Tuen Mun Town Lot No. 547) has been in good progress.

The project under construction consists of six residential towers providing about 1,663 units with sea view or landscape view. The gross floor area of the project is about 663,000 square feet which is expected to be completed in early 2022. Merits of the project include sizeable outdoor gardens and integrated clubhouse facilities, proximity to the yacht club and the renowned international school, convenient transportation to Shenzhen via Western Corridor, between Kowloon via the highways, between Central of Hong Kong Island via Western Harbour Tunnel, and between Chek Lap Kok Airport via the future Tuen Mun Tunnel.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK\$30 million, showing a 120% increase as compared with last year. Both revenue and profit of the shipyard business have shown increase.

Securities Investment

During the year, a profit of HK\$89 million in Securities Investment was recorded mainly due to the disposal of available-for-sale securities of the Group.

FINANCIAL REVIEW

Review of Results

The Group's revenue from continuing operations for the year amounted to approximately HK\$494 million, representing a decrease of 2% when compared to the previous year. This was mainly attributed to the decrease in the sale of residential units of Shining Heights.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2017, shareholders' funds of the Group showed an increase of around 4% as compared to the previous year and amounted to approximately HK\$6,011 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, gain on disposal of the 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 the Group's properties and other operations.

During the year, there was no material acquisition and disposal of subsidiary and associate.

Current assets of the Group were recorded at approximately HK\$3,070 million and the current liabilities were approximately HK\$760 million as of 31 December 2017. Current ratio of the Group had been increased to 4 as at 31 December 2017, mainly attributed to the increase in cash and bank balances.

Charge of Assets

As at 31 December 2017, shares in the Joint Venture Company were charged to secure the loan facility made available by banks to the Joint Venture Company. Details of the loan facility, the relevant guarantees granted and the securities provided are set out in notes to the financial statements.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2017, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown.

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 2017, the number of employees of the Group stood at about 210 (2016: about 210). 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\$91 million, which was commensurate with that recorded in the previous year.

PROSPECTS

Hong Kong enjoyed a robust macro economy in 2017. The local consumption power is strong, likewise the real estate market and the stock market. Unemployment rate is a mere 2.9%, a 10-year record low. Looking ahead in 2018, the main challenge will come from the rising interest rate of the U.S. dollar. If the United States repeatedly raises interest rates during the year, the Hong Kong interest rate will inevitably and sparingly follow due to the linked exchange rate, thereby increasing the burden in mortgage payments. With the promulgation of trade protectionism by U.S. President Donald Trump, China may be affected to certain extent. It is fortunate that the central government leaders have remarkable foresight in implementing proactive policies to gradually change from an export-oriented economy to a consumption-led economy, thereby minimizing the negative impacts.

For the local real estate market in the coming year, it is expected that after years of rapid growth, price levels will remain stable with an upward bias. The Group's Harbour Park project has been granted occupation permit in January 2018 and profits derived from the pre-sale of 97% of the units will be accounted for in 2018. Coupled with the rental income from the commercial arcades, they will comprise the Group's main source of income for the coming 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 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2017 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

The financial results for the year ended 31 December 2017 have been reviewed with no disagreement by the Audit Committee of the Company.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

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 2017.

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 Hong Kong Exchanges and Clearing 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 2017 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, 20 March 2018

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.