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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)

2018 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2018 amounted to approximately HK\$345 million, an increase of 11% as compared with the profit after taxation of HK\$311 million (restated) last year. The earnings per share this year were HK\$0.97 compared with the earnings per share of HK\$0.87 (restated) in the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

		2018	2017
	Note	HK\$'000	(restated) HK\$'000
Revenue	3(a)	1,088,563	447,637
Direct costs		<u>(694,315)</u>	<u>(227,780)</u>
		394,248	219,857
Other revenue	3(a) & 4	53,271	59,353
Other net (loss)/income	4	(1,760)	66,478
Valuation gains on investment properties	3(d)	43,885	56,954
Selling and marketing expenses		(32,516)	(11,384)
Administrative expenses		(49,981)	(44,263)
Other operating expenses		<u>(10,264)</u>	<u>(4,293)</u>
Profit from operations	3(b)	396,883	342,702
Share of profits less losses of associates		1,005	926
Share of loss of a joint venture		<u>(131)</u>	<u>(101)</u>
Profit before taxation	5	397,757	343,527
Taxation	6	<u>(53,114)</u>	<u>(32,402)</u>
Profit attributable to equity shareholders of the Company		<u>344,643</u>	<u>311,125</u>
Earnings per share			
– Basic and diluted	8	<u>\$0.97</u>	<u>\$0.87</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 2018

	2018	2017
	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
Profit attributable to equity shareholders of the Company	<u>344,643</u>	<u>311,125</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits liabilities	(329)	2,125
Financial assets at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(40,911)	–
Item that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)	(4,758)	–
Available-for-sale securities:		
net movement in the securities revaluation reserve (recycling)	<u>–</u>	<u>565</u>
Other comprehensive income for the year	<u>(45,998)</u>	<u>2,690</u>
Total comprehensive income attributable to equity shareholders of the Company	<u><u>298,645</u></u>	<u><u>313,815</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	At 31 December 2018	At 31 December 2017 (restated)	At 1 January 2017 (restated)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties	2,151,470	2,107,585	2,050,655
Other property, plant and equipment	52,657	56,123	58,957
Interest in leasehold land	39,031	40,400	41,769
	<u>2,243,158</u>	<u>2,204,108</u>	<u>2,151,381</u>
Interest in associates	8,048	9,109	10,449
Interest in a joint venture	1,364,163	1,364,295	1,354,395
Other financial assets	337,304	176,306	661,542
Deferred tax assets	3,618	5,294	5,248
	<u>3,956,291</u>	<u>3,759,112</u>	<u>4,183,015</u>
Current assets			
Inventories	1,116,208	575,046	499,378
Trade and other receivables	9 361,234	629,533	831,458
Other financial assets	–	–	20,000
Cash and bank balances	903,362	1,791,679	949,449
Tax recoverable	37,349	36,583	23,610
	<u>2,418,153</u>	<u>3,032,841</u>	<u>2,323,895</u>
Current liabilities			
Trade and other payables	10 139,045	158,033	174,864
Contract liabilities	–	592,626	455,184
Tax payable	41,318	16,230	41,002
	<u>180,363</u>	<u>766,889</u>	<u>671,050</u>
Net current assets	<u>2,237,790</u>	<u>2,265,952</u>	<u>1,652,845</u>
Total assets less current liabilities	<u>6,194,081</u>	<u>6,025,064</u>	<u>5,835,860</u>
Non-current liabilities			
Net employee retirement benefits liabilities	4,003	3,024	4,468
Deferred tax liabilities	59,930	55,153	50,062
	<u>63,933</u>	<u>58,177</u>	<u>54,530</u>
NET ASSETS	<u>6,130,148</u>	<u>5,966,887</u>	<u>5,781,330</u>
CAPITAL AND RESERVES			
Share capital	1,754,801	1,754,801	1,754,801
Reserves	4,375,347	4,212,086	4,026,529
TOTAL EQUITY	<u>6,130,148</u>	<u>5,966,887</u>	<u>5,781,330</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 (the “Listing Rules”).

The financial information relating to the years ended 31 December 2018 and 2017 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 2017 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 2018 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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

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

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Therefore, comparative information continues to be reported under HKAS 39.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 9, *Financial instruments* (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

Under HKAS 39, debt securities not held for trading were classified as available-for-sale financial assets and measured at fair value. These debt securities are classified as at FVOCI (recycling) under HKFRS 9. The subsequent measurement and accounting policies do not materially differ from those adopted by the Group as at 31 December 2017.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(b) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit losses (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to trade and other receivables. The adoption of the new ECL model has no significant impact to the financial statements of the Group.

HKFRS 15, *Revenue from contracts with customers*

The Group has elected to use the retrospective method upon transition and has recognised the effect of initial application retrospectively to the each prior reporting period. Therefore, comparative information has been restated to be reported under HKFRS 15.

Details of the nature and effect of the changes arising from HKFRS 15, *Revenue from contracts with customers*, to previous accounting policies are set out below:

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The adoption of HKFRS 15 has an impact on when the Group recognises revenue from property sales.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 15, *Revenue from contracts with customers* (Continued)

The Group's property development activities are carried out in Hong Kong only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Hong Kong, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue from sale of properties will be adjusted when significant financing component exists in that contract. Stamp duty, sales commissions and other costs only incurred if the amount is obtained, if recoverable, are capitalised as contract costs and subsequently amortised when the related revenue is recognised.

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 four reportable segments.

- 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 listed securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as substantially all of the Group's revenue and profit from operations were derived from activities in 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)

Segment results (Continued)

The segment information for the years ended 31 December 2018 and 2017 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	783,921	147,103	–	–	783,921	147,103
Property investment	136,738	132,056	–	–	136,738	132,056
Ferry, shipyard and related operations	173,077	185,597	1,220	1,349	171,857	184,248
Securities investment	20,716	25,760	–	–	20,716	25,760
Others	97,728	77,244	69,126	59,421	28,602	17,823
	<u>1,212,180</u>	<u>567,760</u>	<u>70,346</u>	<u>60,770</u>	<u>1,141,834</u>	<u>506,990</u>
Analysed by:						
Revenue					1,088,563	447,637
Other revenue					53,271	59,353
					<u>1,141,834</u>	<u>506,990</u>

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses 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	
	2018	2017 (restated)
	HK\$'000	HK\$'000
Property development	238,059	86,785
Property investment (note 3(d))	109,933	124,989
Ferry, shipyard and related operations	8,407	30,279
Securities investment	16,766	88,802
Others (note 3(e))	23,718	11,847
	<u>396,883</u>	<u>342,702</u>

(c) Reconciliation of reportable segment profit

	2018	2017 (restated)
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	396,883	342,702
Share of profits less losses of associates and a joint venture	874	825
	<u>397,757</u>	<u>343,527</u>
Profit before taxation in the consolidated statement of profit or loss	<u>397,757</u>	<u>343,527</u>

3. SEGMENT INFORMATION (Continued)

Segment results (Continued)

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$43,885,000 (2017: HK\$56,954,000).

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

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Property investment	1	2	-	-	-	-
Ferry, shipyard and related operations	6,543	6,848	122	-	1,817	2,096
Others	270	195	-	-	162	746
	<u>6,814</u>	<u>7,045</u>	<u>122</u>	<u>-</u>	<u>1,979</u>	<u>2,842</u>

4. OTHER REVENUE AND NET (LOSS)/INCOME

	2018 HK\$'000	2017 HK\$'000
Other revenue		
Management fee income	22,063	21,227
Air-conditioning charges income	14,060	13,895
Other income	8,592	6,906
Other interest income	8,556	17,325
	<u>53,271</u>	<u>59,353</u>
	2018 HK\$'000	2017 HK\$'000
Other net (loss)/income		
Sundry income	706	705
Income from sale of spare parts	376	1,241
Net profit on disposal of other financial assets	86	-
Net profit on disposal of other property, plant and equipment	40	3
Net exchange gains/(losses)	9	(29)
Net profit on disposal of available-for-sale securities	-	61,522
Net profit on disposal of financial assets designated at FVPL	-	2,930
Cost adjustment (note)	-	106
Change in fair value of other financial assets designated at FVPL	(2,977)	-
	<u>(1,760)</u>	<u>66,478</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. PROFIT BEFORE TAXATION

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

(a) Staff costs:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plan	1,337	1,346
Contributions to defined contribution retirement plan	<u>2,675</u>	<u>2,427</u>
Total retirement costs	4,012	3,773
Salaries, wages and other benefits	<u>97,301</u>	<u>87,389</u>
	<u>101,313</u>	<u>91,162</u>

(b) Other items:

	2018 <i>HK\$'000</i>	2017 (restated) <i>HK\$'000</i>
Amortisation of leasehold land premium	1,369	1,369
Depreciation	5,445	5,676
Cost of inventories	512,935	53,146
Auditor's remuneration		
– audit services	1,764	1,737
– other services	351	335
Operating lease charges: minimum lease payments		
– property rentals	2,734	2,684
Impairment losses on trade and other receivables	122	–
Rentals receivable from investment properties less direct outgoings of HK\$54,125,000 (2017: HK\$51,340,000) (<i>note</i>)	(45,096)	(44,096)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK\$2,309,000 (2017: HK\$1,731,000)	(887)	(1,193)
Interest income	(37,105)	(35,148)
Dividend income from other financial assets designated at FVPL	(3,174)	(390)
Dividend income from other financial assets designated at FVOCI	<u>(9,436)</u>	<u>(11,273)</u>

Note: Included contingent rental income of HK\$4,054,000 (2017: HK\$2,324,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2018 <i>HK\$'000</i>	2017 (restated) <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	46,847	27,532
Over-provision in respect of prior years	<u>(186)</u>	<u>(175)</u>
	46,661	27,357
Deferred tax		
Origination and reversal of temporary differences	<u>6,453</u>	<u>5,045</u>
	<u>53,114</u>	<u>32,402</u>

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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 2017/18 subject to a maximum reduction of HK\$30,000 for each business (2017: a maximum reduction of HK\$20,000 was granted for the year of assessment 2016/17 and was taken into account in calculating the provision for 2017).

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.

7. DIVIDENDS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2017: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK28 cents (2017: HK28 cents) per ordinary share	<u>99,757</u>	<u>99,757</u>
	<u>135,384</u>	<u>135,384</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.

7. DIVIDENDS (Continued)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK28 cents (2017: HK26 cents) per ordinary share	<u>99,757</u>	<u>92,631</u>

8. 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\$344,643,000 (2017 (restated): HK\$311,125,000) and 356,273,883 (2017: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2018 and 2017, therefore diluted earnings per share are the same as basic earnings per share for both years.

9. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 (restated) <i>HK\$'000</i>
Trade receivables	296,483	295,097
Less: allowance for doubtful debts	<u>(2,185)</u>	<u>(2,151)</u>
	294,298	292,946
Cash held by stakeholders	–	120,675
Other receivables and prepayments	40,446	190,538
Amount due from a joint venture	<u>26,490</u>	<u>25,374</u>
	<u>361,234</u>	<u>629,533</u>

All of the trade and other receivables except for instalment receivables of HK\$208,332,000 (2017: HK\$220,829,000) 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\$56,685,000 (2017: HK\$54,889,000) 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 2018 and 2017, the balance did not bear any interest.

9. 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:

	2018	2017
	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
Current	250,963	260,255
1 to 3 months overdue	34,558	27,137
More than 3 months but less than 12 months overdue	5,375	3,518
More than 12 months overdue	<u>3,402</u>	<u>2,036</u>
	<u>294,298</u>	<u>292,946</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.

10. TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK\$12,783,000 (2017: HK\$10,743,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$58,502,000 (2017: HK\$77,154,000) 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:

	2018	2017
	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
Due within 1 month or on demand	80,808	105,934
Due after 1 month but within 3 months	1,614	1,274
Due after 3 months but within 12 months	21	–
More than 12 months	<u>8</u>	<u>9</u>
	<u>82,451</u>	<u>107,217</u>

11. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is restated for HKFRS 15.

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2018 of HK28 cents per share (2017: HK28 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Wednesday, 29 May 2019, the final dividend will be paid on or about Tuesday, 18 June 2019 to shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2019. The final dividend, together with the interim dividend of HK10 cents per share has 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 Friday, 24 May 2019 to Wednesday, 29 May 2019 (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 Thursday, 23 May 2019.

In addition, the Register of Members of the Company will be closed on Monday, 10 June 2019 and Tuesday, 11 June 2019, 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 Thursday, 6 June 2019.

BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Harbour Park.

Property Development and Investment Operations

During 2018, the profit of the Group arising from the sale of the residential units of Harbour Park, Green Code, The Spectacle and Metro6 and car parking spaces of Shining Heights amounted to HK\$238 million. All residential units of Harbour Park had been sold at the year end of 2018.

The gross rental income arising from the commercial arcades of the Group amounted to approximately HK\$99 million. The commercial arcades of Shining Heights, The Spectacle and Metro6 were fully let at the end of 2018. The occupancy rate of commercial arcades of Metro Harbour View and Green Code Plaza were 99% and 91% respectively.

In June 2018, the Group was awarded the rights to develop the piece of land located at Kweilin Street/Tung Chau Street in Sham Shui Po, Kowloon, situated at New Kowloon Inland Lot No. 6559 from Urban Renewal Authority at a consideration of HK\$1,029.2 million. The land covers an area of about 16,038 square feet and will be developed to a total gross floor area of about 144,345 square feet and the Group will be entitled to the residential gross floor area of about 97,845 square feet.

Foundation works commenced in November 2018 and will be completed in the fourth quarter of 2019. The project is expected to be completed in late 2022.

BUSINESS REVIEW (Continued)

Tuen Mun Town Lot No. 547

The construction of the Group's 50%/50% joint venture project with Empire Development Hong Kong 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 1,635 units with sea view or landscape view. The gross floor area of the project is about 663,000 square feet and is expected to be completed in 2022.

The site formation and foundation works commenced in the third quarter of 2017 and will be completed in the third quarter of this year. The superstructure works will start immediately thereafter.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK\$8.4 million, showing a 72% decrease as compared with last year. The decrease was mainly due to the fact that there were more emergency repair businesses in 2017.

Securities Investment

During the year, a profit of HK\$17 million in Securities Investment was recorded, showing a decrease of 81% as compared with last year mainly due to the fact that most of the securities of the Group have been disposed of during the year ended 31 December 2017.

FINANCIAL REVIEW

Review of Results

The Group's revenue for the year amounted to approximately HK\$1,089 million, representing an increase of 143% when compared to the previous year. This was mainly attributed to the sale of residential units of Harbour Park.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2018, shareholders' funds of the Group showed a mild increase of around 2.7% as compared to the previous year and amounted to approximately HK\$6,130 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 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.

Current assets of the Group were recorded at approximately HK\$2,418 million and the current liabilities were approximately HK\$180 million as of 31 December 2018. Current ratio of the Group had been increased to 13.4 as at 31 December 2018, mainly attributed to the decrease in trade and other payables.

FINANCIAL REVIEW (Continued)

Charge of Assets

As at 31 December 2018, 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 of the Company.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2018, 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 2018, the number of employees of the Group stood at about 220 (2017: about 210). Total employees' costs for the year amounted to approximately HK\$101 million. 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.

PROSPECTS

China and the United States have engaged in active negotiations on the Sino-US trade conflict in recent months. After posting various optimistic messages on twitter, President Donald Trump announced on 24 February 2019 that the US government would delay the imposition of an additional 25% tariff on Chinese goods beyond 1 March, following the constructive progress of the seventh round of Sino-US trade negotiation. The markets expected that favourable results could be concluded ultimately. The stock markets in China, Hong Kong and United States rose significantly in January and February 2019. Furthermore, in order to tackle the economic slowdown, the Chinese government had taken a series of actions, including lowering the bank reserve ratios, encouraging banks to make loans to SMEs, reducing tax, speeding up the approval process in bond issuance, lessening foreign restrictions in entering the A-shares market and relaxing the limitations of foreign company on controlling shareholding, etc. In delivering his "Government Work Report" on 5 March 2019, Premier Li Keqiang announced policies on taxes cut, corporate financing, domestic investment and incentives for foreign investments to stimulate the economic growth. Reductions in tax burden and social insurance contributions of enterprises amounted to nearly RMB2 trillion, all of which will revitalize the economy. It is believed that the economy in China will improve noticeably in mid to late 2019.

PROSPECTS (Continued)

Hong Kong economy grew 2.9% year-on-year in the third quarter of 2018 over the previous year. The full year growth forecast in 2019 had been revised to 3.2% by the government. The US Federal Reserve's forecast for this year's interest rate hike has moderated. The Fed announced that they will adopt a more patient strategy in their future monetary policy. The mortgage rates in Hong Kong remain stable, due to ample funds in the banking system, supporting the property market. The various measures to increase the housing and land supply announced by Mrs. Carrie Lam, the Chief Executive, in her 2018 Policy Address, will mostly take time to become effective. It is expected that this year the downward price adjustment of residential properties on average will be limited.

Following the disposal of all the residential units of Harbour Park and the other projects in 2018, the Group is now focusing on the development of the two projects in Tuen Mun and Kweilin Street. It is expected that the sale of the Tuen Mun project will commence by phases at year end. As all the completed residential properties had been sold, the rental income from the commercial arcades will be the main source of income of the Group in 2019. Barring any unforeseen circumstances, the profit of the Group this year is expected to be less than that of 2018.

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 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2018 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 2018 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 2018 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 2018.

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 2018 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, 14 March 2019

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 and Dr. Lee Shau Kee; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.