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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)

### 2019 RESULTS ANNOUNCEMENT

#### BUSINESS RESULTS

All the residential units of the Group were completely sold in 2018. Due to the absence of profits from sale of residential properties, the Group's consolidated profit after taxation for the year ended 31 December 2019 decreased by 60% to approximately HK\$136 million as compared with the same period of 2018. Earnings per share decreased correspondingly to HK\$0.38. During the year under review, the profit for the Group was mainly derived from rental income from shops and commercial arcades.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 (note) HK\$'000
Revenue	3(a)	298,846	1,088,563
Direct costs		(176,758)	(694,315)
		<b>122,088</b>	394,248
Other revenue	3(a) & 4	52,619	53,271
Other net loss	4	(458)	(1,760)
Valuation gains on investment properties	3(d)	31,770	43,885
Selling and marketing expenses		(594)	(32,516)
Administrative expenses		(48,594)	(49,981)
Other operating expenses		(2,336)	(10,264)
<b>Profit from operations</b>	3(b)	<b>154,495</b>	396,883
Interest on lease liabilities		(52)	–
Share of profits less losses of associates		719	1,005
Share of loss of a joint venture		(415)	(131)
<b>Profit before taxation</b>	5	<b>154,747</b>	397,757
Taxation	6	(18,331)	(53,114)
<b>Profit attributable to equity shareholders of the Company</b>		<b>136,416</b>	<b>344,643</b>
Earnings per share			
– Basic and diluted	8	<b>\$0.38</b>	\$0.97

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

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 (note) <i>HK\$'000</i>
<b>Profit attributable to equity shareholders of the Company</b>	<u>136,416</u>	<u>344,643</u>
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits liabilities	1,217	(329)
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	(5,649)	(40,911)
Item that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (recycling)	<u>6,786</u>	<u>(4,758)</u>
<b>Other comprehensive income for the year</b>	<u>2,354</u>	<u>(45,998)</u>
<b>Total comprehensive income attributable to equity shareholders of the Company</b>	<u><u>138,770</u></u>	<u><u>298,645</u></u>

*Note:* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		2019		2018 (note)	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Investment properties			2,185,970		2,151,470
Other property, plant and equipment			52,275		52,657
Interest in leasehold land			37,662		39,031
			<u>2,275,907</u>		<u>2,243,158</u>
Interest in associates			7,145		8,048
Interest in a joint venture			1,363,748		1,364,163
Other financial assets			248,107		337,304
Deferred tax assets			3,526		3,618
			<u>3,898,433</u>		<u>3,956,291</u>
<b>Current assets</b>					
Inventories			1,162,449		1,116,208
Trade and other receivables	9		313,788		361,234
Cash and bank balances			974,746		903,362
Tax recoverable			29,715		37,349
			<u>2,480,698</u>		<u>2,418,153</u>
<b>Current liabilities</b>					
Trade and other payables	10		137,611		139,045
Lease liabilities			644		–
Tax payable			41,438		41,318
			<u>179,693</u>		<u>180,363</u>
<b>Net current assets</b>			<u>2,301,005</u>		<u>2,237,790</u>
<b>Total assets less current liabilities</b>			<u>6,199,438</u>		<u>6,194,081</u>
<b>Non-current liabilities</b>					
Net employee retirement benefits liabilities			854		4,003
Lease liabilities			588		–
Deferred tax liabilities			64,510		59,930
			<u>65,952</u>		<u>63,933</u>
<b>NET ASSETS</b>			<u>6,133,486</u>		<u>6,130,148</u>
<b>CAPITAL AND RESERVES</b>					
Share capital			1,754,801		1,754,801
Reserves			4,378,685		4,375,347
<b>TOTAL EQUITY</b>			<u>6,133,486</u>		<u>6,130,148</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## 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 2019 and 2018 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 2018 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 2019 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the announcement.

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

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements brought forward from HKAS 17 remains substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.125%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (a) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and
- (b) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### HKFRS 16, *Leases* (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 <i>HK\$'000</i>	Capitalisation of operating lease contracts <i>HK\$'000</i>	Carrying amount at 1 January 2019 <i>HK\$'000</i>
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	52,657	1,082	53,739
<b>Total non-current assets</b>	<b>3,956,291</b>	<b>1,082</b>	<b>3,957,373</b>
Lease liabilities (current)	–	1,052	1,052
<b>Current liabilities</b>	<b>180,363</b>	<b>1,052</b>	<b>181,415</b>
<b>Net current assets</b>	<b>2,237,790</b>	<b>(1,052)</b>	<b>2,236,738</b>
<b>Total assets less current liabilities</b>	<b>6,194,081</b>	<b>30</b>	<b>6,194,111</b>
Lease liabilities (non-current)	–	78	78
<b>Net assets</b>	<b>6,130,148</b>	<b>(48)</b>	<b>6,130,100</b>

## 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.

### 3. SEGMENT INFORMATION (Continued)

#### 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.

The segment information for the years ended 31 December 2019 and 2018 about these reportable segments is presented below:

#### (a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	20,003	783,921	–	–	20,003	783,921
Property investment	142,089	136,738	–	–	142,089	136,738
Ferry, shipyard and related operations	145,778	173,077	1,106	1,220	144,672	171,857
Securities investment	15,056	20,716	–	–	15,056	20,716
Others	94,006	97,728	64,361	69,126	29,645	28,602
	<u>416,932</u>	<u>1,212,180</u>	<u>65,467</u>	<u>70,346</u>	<u>351,465</u>	<u>1,141,834</u>
<b>Analysed by:</b>						
Revenue					298,846	1,088,563
Other revenue					52,619	53,271
					<u>351,465</u>	<u>1,141,834</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.

### 3. SEGMENT INFORMATION (Continued)

#### Segment results (Continued)

##### (b) Segment result

	Reportable segment profit/(loss)	
	2019	2018
	HK\$'000	HK\$'000
Property development	18,652	238,059
Property investment (note 3(d))	103,338	109,933
Ferry, shipyard and related operations	(4,979)	8,407
Securities investment	12,861	16,766
Others (note 3(e))	24,623	23,718
	<u>154,495</u>	<u>396,883</u>

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

	2019	2018
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	154,495	396,883
Interest on lease liabilities	(52)	–
Share of profits less losses of associates and a joint venture	304	874
	<u>154,747</u>	<u>397,757</u>

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$31,770,000 (2018: HK\$43,885,000).

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

##### (f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	–	1	16	–	2,730	–
Ferry, shipyard and related operations	7,808	6,543	–	122	4,150	1,817
Others	410	270	–	–	1,235	162
	<u>8,218</u>	<u>6,814</u>	<u>16</u>	<u>122</u>	<u>8,115</u>	<u>1,979</u>

#### 4. OTHER REVENUE AND NET LOSS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Other revenue</b>		
Management fee income	22,401	22,063
Air-conditioning charges income	14,507	14,060
Other income	12,585	8,592
Other interest income	3,126	8,556
	<u>52,619</u>	<u>53,271</u>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Other net loss</b>		
Change in fair value of other financial assets designated at fair value through profit or loss ("FVPL")	3,393	(2,977)
Sundry income	681	706
Income from sale of spare parts	177	376
Net profit on disposal of other property, plant and equipment	30	40
Net exchange (losses)/gains	(8)	9
Net (loss)/profit on disposal of other financial assets	(4,731)	86
	<u>(458)</u>	<u>(1,760)</u>

#### 5. PROFIT BEFORE TAXATION

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

(a) **Staff costs:**

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plan	1,376	1,337
Contributions to defined contribution retirement plan	2,418	2,675
	<u>3,794</u>	<u>4,012</u>
Total retirement costs	3,794	4,012
Salaries, wages and other benefits	89,007	97,301
	<u>92,801</u>	<u>101,313</u>

## 5. PROFIT BEFORE TAXATION (Continued)

### (b) Other items:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,369	1,369
Depreciation	6,849	5,445
Cost of inventories	6,742	512,935
Auditor's remuneration		
– audit services	1,762	1,764
– other services	351	351
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 ( <i>note (i)</i> )		
– property rentals	–	2,734
Total minimum lease payments on short-term leases exempted from capitalisation under HKFRS 16		
– property rentals	1,804	–
Impairment losses on trade and other receivables	16	122
Rentals receivable from investment properties less direct outgoings of HK\$54,223,000 (2018: HK\$54,125,000) ( <i>note (ii)</i> )	(49,689)	(45,096)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK\$1,249,000 (2018: HK\$2,309,000)	(6,868)	(887)
Interest income	(32,713)	(37,105)
Dividend income from other financial assets designated at FVPL	(4,165)	(3,174)
Dividend income from other financial assets designated at fair value through other comprehensive income	(8,035)	(9,436)
	<u>(8,035)</u>	<u>(9,436)</u>

*Note (i):* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

*Note (ii):* Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK\$3,096,000 (2018: HK\$4,054,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	13,127	46,847
Under/(over)-provision in respect of prior years	<u>532</u>	<u>(186)</u>
	13,659	46,661
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>4,672</u>	<u>6,453</u>
	<u><u>18,331</u></u>	<u><u>53,114</u></u>

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 taken into account a reduction granted by the Government of Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2018/19 subject to a maximum reduction of HK\$20,000 for each business (2018: a maximum reduction of HK\$30,000 was granted for the year of assessment 2017/18 and was taken into account in calculating the provision for 2018).

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. No change in the circumstances for the years ended 31 December 2018 and 31 December 2019.

## 7. DIVIDENDS

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2018: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK28 cents (2018: HK28 cents) per ordinary share	<u>99,757</u>	<u>99,757</u>
	<u><b>135,384</b></u>	<u><b>135,384</b></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.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK28 cents (2018: HK28 cents) per ordinary share	<u>99,757</u>	<u>99,757</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\$136,416,000 (2018: HK\$344,643,000) and 356,273,883 (2018: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2019 and 2018, therefore diluted earnings per share are the same as basic earnings per share for both years.

## 9. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	245,558	296,483
Less: allowance for doubtful debts	<u>(122)</u>	<u>(2,185)</u>
	245,436	294,298
Other receivables and prepayments	41,657	40,446
Amount due from a joint venture	<u>26,695</u>	<u>26,490</u>
	<u><b>313,788</b></u>	<u><b>361,234</b></u>

## 9. TRADE AND OTHER RECEIVABLES (Continued)

All of the trade and other receivables except for instalment receivables of HK\$172,674,000 (2018: HK\$208,332,000) 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\$59,799,000 (2018: HK\$56,685,000) 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 2019 and 2018, the balance did not bear any interest.

### Ageing analysis

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current	213,129	250,963
1 to 3 months overdue	28,289	34,558
More than 3 months but less than 12 months overdue	4,018	5,375
More than 12 months overdue	—	3,402
	<u>245,436</u>	<u>294,298</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\$16,072,000 (2018: HK\$12,783,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$49,395,000 (2018: HK\$58,502,000) which are unsecured, interest-free and repayable within 30–45 days or have no fixed terms of repayment.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Due within 1 month or on demand	82,843	80,808
Due after 1 month but within 3 months	513	1,614
Due after 3 months but within 12 months	9	21
More than 12 months	9	8
	<u>83,374</u>	<u>82,451</u>

## 11. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

## **DIVIDENDS**

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2019 of HK28 cents per share (2018: HK28 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Friday, 29 May 2020, the final dividend will be paid on or about Thursday, 18 June 2020 to shareholders whose names appear on the register of members of the Company on Thursday, 11 June 2020. 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 Tuesday, 26 May 2020 to Friday, 29 May 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 25 May 2020.

In addition, the Register of Members of the Company will be closed on Wednesday, 10 June 2020 and Thursday, 11 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 9 June 2020.

## **BUSINESS REVIEW**

During the year under review, Hong Kong was hit by internal and external adversities which seriously hurt the economy. Hong Kong's export and re-export businesses have been impacted by the US-Sino trade war. Social activities have significantly reduced the number of tourists visiting Hong Kong, dragging down the tourism, hotel, retail and catering businesses. Poor turnover have resulted in the reduction of profits and in some cases losses. As a consequence, Hong Kong's economy has fallen by 3.2% quarter-to-quarter in the third quarter after a 0.5% decline in the second quarter of 2019, implying that Hong Kong has entered into a technical recession. Seasonally adjusted unemployment rate reached 3.4% by the end of last year, the highest level in the last three years.

All the residential units of the Group were completely sold in 2018. During the year under review, the profit for the Group was mainly derived from rental income from shops and commercial arcades. Despite the above-mentioned adverse factors, the Group's rental income during the year was not noticeably affected.

## **BUSINESS REVIEW (Continued)**

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

During 2019, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK\$104 million. The commercial arcade of Metro6 was fully let at the end of 2019. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 95% and 91% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 87% and 89% respectively. Besides, the profit arising from the sale of car parking spaces amounted to approximately HK\$19 million.

#### **Tuen Mun Town Lot No. 547**

The construction of the Group's 50%/50% equity joint venture project with Empire Group located at Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, New Territories (Tuen Mun Town Lot No. 547), has made good progress. The foundation works have been completed and the superstructure works have commenced. The project is expected to be completed by phases in 2022. The project under construction consists of six residential towers providing about 1,782 units with sea or landscape views. The gross floor area of the project is about 663,062 square feet.

#### **Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project**

In June 2018, the Group was awarded the contract for the Kweilin Street/Tung Chau Street redevelopment project in Sham Shui Po by the Urban Renewal Authority at a consideration of HK\$1,029.2 million. The Group is responsible for the construction of the project with a total gross floor area of about 144,345 square feet. Upon development, the Group will be entitled to the residential gross floor area of about 97,845 square feet and the project is expected to be completed in 2023. The foundation works are expected to be completed in the first half year of 2020 and superstructure works will commence thereafter.

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

During the year under review, the Ferry, Shipyard and Related Operations recorded a loss of HK\$5 million. The loss was mainly due to social activities leading to a significant decline of revenue in the Harbour Cruise – Bauhinia.

### **Securities Investment**

During the year, a profit of HK\$13 million in Securities Investment was recorded.

## **FINANCIAL REVIEW**

### **Review of Results**

The Group's revenue for the year amounted to approximately HK\$299 million, representing a decrease of 73% when compared to the previous year. This was mainly attributed to the fact that no residential units were sold during the year.

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

As of 31 December 2019, shareholders' funds of the Group showed a mild increase of around 0.1% as compared to the previous year and amounted to approximately HK\$6,133 million. The increase was mainly due to the net effect of the profit realised from property leasing and 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\$2,481 million and the current liabilities were approximately HK\$180 million as of 31 December 2019. Current ratio of the Group had been increased to 13.8 as at 31 December 2019, mainly attributed to the increase in cash and bank balances.

### **Charge of Assets**

As at 31 December 2019, 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 2019, 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 2019, the number of employees of the Group stood at about 210 (2018: about 220). Total employees' costs for the year amounted to approximately HK\$93 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**

The novel coronavirus infection known as “COVID-19” has spread around the world since the end of last year, culminating in the World Health Organization declaring it a “pandemic” this month. Many countries have implemented travel bans. Various industrial and business sectors have been hard-hit with supply chains disrupted. The tourism, hotel and aviation industries have almost come to a standstill. Global concerns about an impending recession have caused stock markets worldwide to crash, led by the US. Hong Kong’s economy has also been severely affected.

The epidemic is expected to cause adverse effects on all businesses of the Group in 2020, with the Harbour Cruise – Bauhinia particularly hard hit.

Following the launching of four rounds of relief measures last year, the Government of Hong Kong also announced the establishment of the HK\$30 billion Anti-epidemic Fund in mid-February 2020. In late February 2020, the Government announced counter-cyclical measures involving more than HK\$120 billion in the Budget, including the disbursement of HK\$10,000 to all Hong Kong permanent residents aged 18 or above, a concessionary low-interest loan with Government guarantee for enterprises capped at HK\$2 million, waiving of profits tax, salaries tax and tax under personal assessment each subject to a ceiling of HK\$20,000, introduction of a fixed-rate Mortgage Pilot Scheme up to HK\$10 million each to homebuyers, funding of HK\$700 million for the Hong Kong Tourism Board to step up promotion, waiving rates for residential properties subject to a ceiling of HK\$1,500 per quarter, and other relevant measures. As it is pre-mature to assess whether the epidemic can be controlled in the next few months in Hong Kong and around the world, or whether there will be a second wave, the economy of Hong Kong is forecast to continue to decline and unemployment rate will further rise. Small and medium-sized businesses will continue to face difficulties. With the decrease in demand for shops and retail space, rentals will fall. Many shop and retail space owners have already agreed to provide relief measures in reducing rentals. The Group will also take appropriate actions to assist tenants in need of assistance to sail through the difficulties.

The rental income from the shops and commercial arcades will be the main source of profit for the coming year. Tuen Mun and Kweilin Street/Tung Chau Street residential projects are expected to be sold by phases in 2020 and 2021 respectively.

## **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 2019.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2019 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 2019 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 2019 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 2019.

## **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](http://www.hkexnews.hk) and on the website of the Company at [www.hkf.com](http://www.hkf.com). The annual report of the Company for the year ended 31 December 2019 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, 19 March 2020

*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.*