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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)

2020 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

During the year under review, the profit for the Group was mainly derived from rental income from shops and commercial arcades. Due to the absence of profits from sale of residential properties and the disruption in revenue due to the outbreak of the COVID-19, the Group's consolidated profit after taxation for the year ended 31 December 2020 decreased by 81% to approximately HK\$27 million as compared with the same period of 2019. Earnings per share decreased correspondingly to HK\$0.07.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Revenue	3(a)	208,269	298,846
Direct costs		(149,051)	(176,758)
		59,218	122,088
Other revenue	3(a) & 4	70,625	52,619
Other net loss	4	(214)	(458)
Valuation (losses)/gains on investment properties	3(d)	(20,674)	31,770
Selling and marketing expenses		(142)	(594)
Administrative expenses		(50,263)	(48,594)
Other operating expenses		(3,871)	(2,336)
Profit from operations	3(b)	54,679	154,495
Interest on lease liabilities		(160)	(52)
Share of profits less losses of associates		1,622	719
Share of losses of joint ventures		(16,491)	(415)
Profit before taxation	5	39,650	154,747
Taxation	6	(13,062)	(18,331)
Profit attributable to equity shareholders of the Company		26,588	136,416
Earnings per share			
– Basic and diluted	8	\$0.07	\$0.38

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit attributable to equity shareholders of the Company	<u>26,588</u>	<u>136,416</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits liabilities	(2,539)	1,217
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	(50,068)	(5,649)
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>214</u>	<u>6,786</u>
Other comprehensive income for the year	<u>(52,393)</u>	<u>2,354</u>
Total comprehensive income attributable to equity shareholders of the Company	<u><u>(25,805)</u></u>	<u><u>138,770</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020		2019	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			2,172,970		2,185,970
Other property, plant and equipment			51,371		52,275
Interest in leasehold land			36,293		37,662
			<u>2,260,634</u>		<u>2,275,907</u>
Interest in associates			7,423		7,145
Interest in joint ventures			1,527,257		1,363,748
Other financial assets			159,654		248,107
Deferred tax assets			3,527		3,526
			<u>3,958,495</u>		<u>3,898,433</u>
Current assets					
Inventories		1,231,195		1,162,449	
Trade and other receivables	9	269,107		313,788	
Cash and bank balances		731,096		974,746	
Tax recoverable		29,322		29,715	
			<u>2,260,720</u>		<u>2,480,698</u>
Current liabilities					
Trade and other payables	10	152,551		137,611	
Lease liabilities		1,828		644	
Tax payable		16,243		41,438	
			<u>170,622</u>		<u>179,693</u>
Net current assets			<u>2,090,098</u>		<u>2,301,005</u>
Total assets less current liabilities			<u>6,048,593</u>		<u>6,199,438</u>
Non-current liabilities					
Net employee retirement benefits liabilities		4,123		854	
Lease liabilities		3,728		588	
Deferred tax liabilities		68,445	76,296	64,510	65,952
NET ASSETS			<u>5,972,297</u>		<u>6,133,486</u>
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			4,217,496		4,378,685
TOTAL EQUITY			<u>5,972,297</u>		<u>6,133,486</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 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 2020 and 2019 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 2019 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 2020 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 amendments to 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 accounting period reflected in the financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to the financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The adoption of amendments to HKFRS 3 does not have any material impact on the Group’s financial statements.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment to HKFRS 16 and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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 2020 and 2019 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property development	94	20,003	–	–	94	20,003
Property investment	145,580	142,089	–	–	145,580	142,089
Ferry, shipyard and related operations	103,945	145,778	1,109	1,106	102,836	144,672
Securities investment	6,928	15,056	–	–	6,928	15,056
Others	89,033	94,006	65,577	64,361	23,456	29,645
	<u>345,580</u>	<u>416,932</u>	<u>66,686</u>	<u>65,467</u>	<u>278,894</u>	<u>351,465</u>
Analysed by:						
Revenue					208,269	298,846
Other revenue					70,625	52,619
					<u>278,894</u>	<u>351,465</u>

The principal activities of the Group are property development, property investment, ferry, shipyard and related operations 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 (loss)/profit	
	2020 HK\$'000	2019 HK\$'000
Property development	(1,903)	18,652
Property investment (note 3(d))	49,848	103,338
Ferry, shipyard and related operations	(17,904)	(4,979)
Securities investment	3,930	12,861
	<u>33,971</u>	<u>129,872</u>
Others (note 3(e))	20,708	24,623
	<u>54,679</u>	<u>154,495</u>

(c) Reconciliation of reportable segment profit

	2020 HK\$'000	2019 HK\$'000
Reportable segment profit derived from external customers	33,971	129,872
Other profit derived from external customers	20,708	24,623
Interest on lease liabilities	(160)	(52)
Share of (losses)/profit of associates and joint ventures (net)	(14,869)	304
	<u>39,650</u>	<u>154,747</u>

(d) The segment result of the “Property investment” included valuation losses on investment properties of HK\$20,674,000 (2019: valuation gains of HK\$31,770,000).

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

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Property investment	–	–	559	16	7,674	2,730
Ferry, shipyard and related operations	8,522	7,808	2,188	–	182	4,150
Others	468	410	–	–	155	1,235
	<u>8,990</u>	<u>8,218</u>	<u>2,747</u>	<u>16</u>	<u>8,011</u>	<u>8,115</u>

4. OTHER REVENUE AND NET LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other revenue		
Management fee income	24,069	22,401
Air-conditioning charges income	16,532	14,507
Government grants (<i>note</i>)	9,148	–
Government grants – others	6,183	–
Other income	13,317	12,585
Other interest income	1,376	3,126
	<u>70,625</u>	<u>52,619</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other net loss		
Income from sale of spare parts	1,595	177
Sundry income	655	681
Net loss on disposal of other financial assets	–	(4,731)
Net (loss)/profit on disposal of other property, plant and equipment	(2)	30
Net exchange losses	(42)	(8)
Change in fair value of other financial assets designated at fair value through profit or loss (“FVPL”)	(2,420)	3,393
	<u>(214)</u>	<u>(458)</u>

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. PROFIT BEFORE TAXATION

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

(a) **Staff costs:**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plan	1,206	1,376
Contributions to defined contribution retirement plan	2,322	2,418
	<u>3,528</u>	<u>3,794</u>
Total retirement costs	80,379	89,007
Salaries, wages and other benefits	<u>83,907</u>	<u>92,801</u>

5. **PROFIT BEFORE TAXATION** (Continued)

(b) **Other items:**

	2020	2019
	HK\$'000	HK\$'000
Amortisation of leasehold land premium	1,369	1,369
Depreciation	7,621	6,849
Cost of inventories	3,916	6,742
Auditor's remuneration		
– audit services	1,811	1,762
– other services	355	351
Total minimum lease payments on short-term leases exempted from capitalisation under HKFRS 16		
– property rentals	235	1,804
Impairment losses on trade and other receivables	2,747	16
Rentals receivable from investment properties less direct outgoings of HK\$56,568,000 (2019: HK\$54,223,000) (<i>note</i>)	(46,585)	(49,689)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK\$1,175,000 (2019: HK\$1,249,000)	(6,938)	(6,868)
Interest income	(22,317)	(32,713)
Dividend income from other financial assets designated at FVPL	(3,548)	(4,165)
Dividend income from other financial assets designated at fair value through other comprehensive income	(2,834)	(8,035)

Note: Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK\$2,512,000 (2019: HK\$3,096,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	9,224	13,127
(Over)/under-provision in respect of prior years	(96)	532
	<u>9,128</u>	<u>13,659</u>
Deferred tax		
Origination and reversal of temporary differences	3,934	4,672
	<u>13,062</u>	<u>18,331</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 2019.

The provision for Hong Kong Profits Tax for 2020 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019/20 subject to a maximum reduction of HK\$20,000 for each business (2019: a maximum reduction of HK\$20,000 was granted for the year of assessment 2018/19 and was taken into account in calculating the provision for 2019).

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 2020 and 2019.

7. DIVIDENDS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2019: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK15 cents (2019: HK28 cents) per ordinary share	<u>53,441</u>	<u>99,757</u>
	<u>89,068</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.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK28 cents (2019: 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\$26,588,000 (2019: HK\$136,416,000) and 356,273,883 (2019: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2020 and 2019, therefore diluted earnings per share are the same as basic earnings per share for both years.

9. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	197,929	245,558
Less: allowance for doubtful debts	<u>(2,586)</u>	<u>(122)</u>
	195,343	245,436
Other receivables and prepayments	46,049	41,657
Amount due from joint ventures	<u>27,715</u>	<u>26,695</u>
	<u>269,107</u>	<u>313,788</u>

9. TRADE AND OTHER RECEIVABLES (Continued)

All of the trade and other receivables except for instalment receivables of HK\$124,318,000 (2019: HK\$172,674,000) 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\$61,335,000 (2019: HK\$59,799,000) which are unsecured, interest-free and are recoverable on demand.

The amount due from joint ventures is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and is recoverable on demand. During the years and as at 31 December 2020 and 2019, 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	155,879	213,129
1 to 3 months overdue	27,199	28,289
More than 3 months but less than 12 months overdue	12,043	4,018
More than 12 months overdue	222	–
	<u>195,343</u>	<u>245,436</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\$12,632,000 (2019: HK\$16,072,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$44,327,000 (2019: HK\$49,395,000) which are unsecured, interest-free and repayable within 30 – 45 days or repayable on demand.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Due within 1 month or on demand	97,201	82,843
Due after 1 month but within 3 months	65	513
Due after 3 months but within 12 months	–	9
More than 12 months	1	9
	<u>97,267</u>	<u>83,374</u>

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2020 of HK15 cents per share (2019: HK28 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Thursday, 27 May 2021, the final dividend will be paid on or about Friday, 18 June 2021 to shareholders whose names appear on the register of members of the Company on Wednesday, 9 June 2021. The final dividend, together with the interim dividend of HK10 cents per share has already paid, will make a total distribution of HK25 cents for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021 (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 Friday, 21 May 2021.

In addition, the Register of Members of the Company will be closed on Tuesday, 8 June 2021 and Wednesday, 9 June 2021, 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 Monday, 7 June 2021.

BUSINESS REVIEW

During the year under review, the Group's profit was mainly derived from the rental income from shops and commercial arcades. The business operations of the Group, in particular, the Harbour Cruise - Bauhinia, were hit by the travel restrictions and social distancing measures under the outbreak of COVID-19 pandemic. Coupled with the depreciation on valuation of investment properties, the overall performance of the Group was adversely affected.

Property Development and Investment Operations

During 2020, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK\$103 million. The commercial arcade of Metro6 was fully let at year end. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 93% and 79% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 96% and 91% respectively.

BUSINESS REVIEW (Continued)

The Royale (8 Castle Peak Road - Castle Peak Bay, Tuen Mun)

The Group's 50%/50% equity joint venture development project with Empire Group at Tuen Mun Town Lot No. 547 carries the project name of "The Royale". The launch of the pre-sale of Phase 1, "Seacoast Royale", Phase 2, "Starfront Royale" and Phase 3, "Skypoint Royale" received overwhelming response and registration from buyers. A total of approximately 1,450 residential units under the three phases had been sold, amounting to approximately HK\$6,900 million with an average selling price of saleable floor area in excess of HK\$15,200 per square foot.

This project consists of six residential towers, providing 1,782 units with sea or landscape views. The gross floor area of the project is approximately 663,000 square feet. The construction of the project is in good progress, the superstructure works of which commenced in November last year. The project is expected to be completed by phases in 2022.

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

In June 2018, the Group was successfully awarded the redevelopment contract for the Kweilin Street/Tung Chau Street project in Sham Shui Po by the Urban Renewal Authority. 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. The foundation works have been completed and superstructure works had commenced. The project is expected to be completed in 2023.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a loss of HK\$18 million, mainly due to the significant decline of revenue in Harbour Cruise - Bauhinia.

Securities Investment

During the year, a profit of HK\$4 million in Securities Investment was recorded.

FINANCIAL REVIEW

Impact of COVID-19 Pandemic

The outbreak of COVID-19 since January 2020 had significant impact on the business operations of the Group and in particular, Harbour Cruise - Bauhinia. We expect that the revenue of the Harbour Cruise - Bauhinia operation will be enhanced upon the cessation of the pandemic.

Review of Results

The Group's revenue for the year amounted to approximately HK\$208 million, representing a decrease of 30% when compared to the previous year. This was mainly attributed to the decrease in the revenue of Harbour Cruise - Bauhinia operation.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2020, shareholders' funds of the Group showed a decrease of around 2.6% as compared to the previous year and amounted to approximately HK\$5,972 million. The decrease was mainly due to the net effect of the profit realised from property leasing, the loss 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 property leasing and other operations.

Current assets of the Group were recorded at approximately HK\$2,261 million and the current liabilities were approximately HK\$171 million as of 31 December 2020. Current ratio of the Group had been decreased to 13.2 as at 31 December 2020, mainly attributed to the decrease in cash and bank balances.

Charge of Assets

As at 31 December 2020, 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 2020, 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 2020, the number of employees of the Group stood at about 200 (2019: about 210). Total employees' costs for the year amounted to approximately HK\$84 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

Severely affected by the COVID-19 pandemic, the gross domestic product (“GDP”) of Hong Kong decreased by 3% in real terms in the fourth quarter of 2020. For 2020 as a whole, the GDP decreased by 6.1% in real terms as compared with 2019. The downturn in retail, tourism and catering industries has led to an increase in unemployment, with the local unemployment rate rising to 7% in January 2021. In February 2021, the Financial Secretary announced in his Budget speech a wide range of measures totalling in excess of HK\$120 billion to alleviate the economic adversities and to implement counter-cyclical measures.

With the implementation of relief measures by the government and the increase in vaccination of the general public, it is likely that the economic activities will slowly resume to normal. The orderly relaxation of social distancing measures, the steady resumption of global tourism as well as the extension of operating hours of malls and restaurants will contribute to a gradual recovery.

It is expected that the local property market will remain stable with only minor fluctuations. The Group will continue to presell the remaining approximately 330 residential units of the Tuen Mun project. It is believed that the units will continue to be welcomed by the market with promising sales result.

It is expected that the rental income from the shops and commercial arcades will remain as the major source of income of the Group in 2021. The Group will adopt a flexible rental policy in order to attract new tenants and to retain the existing ones.

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 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2020 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 2020 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 2020 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 2020.

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.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

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 2020 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, 18 March 2021

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 and Mr. Lau Yum Chuen, Eddie; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.