HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00050)

2005 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2005 amounted to HK$243.2 million, representing a decrease of 26% from the consolidated profit after taxation of HK$327.8 million in 2004. The profit per share was 68 cents for the year as compared to 92 cents in the previous year.

Consolidated Profit and Loss Account
For the year ended 31 December 2005

	Note	**2005** HK$'000	2004 (restated) HK$'000
Turnover	3(a)	**764,129**	993,902
Cost of sales		**(472,895)**	(653,168)
		291,234	340,734
Other revenue	3(a) & 4	**27,197**	17,934
Other net income	4	**9,928**	24,731
Revaluation gains on investment properties	3(c)	**22,539**	87,701
Selling and marketing expenses		**(30,263)**	(44,903)
Administrative expenses		**(45,463)**	(42,482)
Impairment loss in respect of property, plant and equipment	3(d)	**–**	(1,342)
Other operating expenses		**(45,724)**	(42,779)
Profit from operations	3(b)	**229,448**	339,594
Share of results of associates		**(14)**	2,045
Profit before taxation	5	**229,434**	341,639
Taxation	6	**13,757**	(13,834)
Profit attributable to shareholders	3(b)	**243,191**	327,805
Dividends attributable to the year	7	**117,571**	117,571
Basic earnings per share *(cent)*	10	**68.3**	92.0

Consolidated Balance Sheet
As at 31 December 2005

	Note	2005 HK$'000	2005 HK$'000	2004 (restated) HK$'000	2004 (restated) HK$'000
Non-current assets					
Fixed assets					
– Investment properties			**692,300**		830,500
– Property held for development			**–**		550,518
– Other property, plant and equipment			**149,010**		148,625
– Interest in leasehold land			**73,036**		74,796
			914,346		1,604,439
Interest in associates			**158,722**		218,722
Properties under development – held for investment			**52,974**		16,574
Other non-current assets			**142,902**		71,372
Deferred tax assets			**27,515**		6,326
			1,296,459		1,917,433
Current assets					
Inventories		**1,020,388**		498,131	
Trade and other receivables	*8*	**225,872**		198,657	
Tax recoverable		**2,111**		1,712	
Cash and cash equivalents		**1,041,232**		921,717	
		2,289,603		1,620,217	
Current liabilities					
Bank overdraft		**309**		149	
Trade and other payables	*9*	**192,401**		308,598	
Tax payable		**11,581**		10,894	
		204,291		319,641	
Net current assets			**2,085,312**		1,300,576
Total assets less current liabilities			**3,381,771**		3,218,009
Non-current liabilities					
Deferred tax liabilities			**(16,783)**		(10,809)
NET ASSETS			**3,364,988**		3,207,200
CAPITAL AND RESERVES					
Share capital			**356,274**		356,274
Reserves			**3,008,714**		2,850,926
TOTAL EQUITY			**3,364,988**		3,207,200

Notes on the Accounts

1 BASIS OF PREPARATION

These accounts 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. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or the Company after the adoption of these new and revised HKFRSs have been summarised in note 1 to the annual report. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these accounts.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items affected in the consolidated profit and loss account and balance sheet and other significant related disclosure items as previously reported for the year ended 31 December 2004.

(i) Effect on the consolidated profit and loss account for the year ended 31 December 2004

	Effect of new policy (increase/(decrease) in profit for the year)				
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	HKAS 1 *(note 2(g))* *HK$'000*	Total *HK$'000*
Cost of sales	–	–	(70,655)	–	(70,655)
Other net income	–	–	(1,787)	–	(1,787)
Revaluation gains on investment properties	–	–	12,515	–	12,515
Other operating expenses	–	(1,594)	–	–	(1,594)
Share of results of associates	–	–	–	(531)	(531)
Taxation	–	–	(3,740)	531	(3,209)
Profit attributable to shareholders	–	(1,594)	(63,667)	–	(65,261)
Basic earnings per share *(cent)*	–	(0.4)	(17.9)	–	(18.3)
Other significant disclosure items					
Amortisation of leasehold land premium	(1,760)	–	–	–	(1,760)
Depreciation	1,760	(1,618)	–	–	142
Cost of inventories	–	–	(70,655)	–	(70,655)

(ii) Effect on the consolidated balance sheet as at 31 December 2004

	Effect of new policy (increase/(decrease) in net assets)			
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	Total *HK$'000*
Non-current assets				
Fixed assets				
– Other property, plant and equipment	(74,796)	(26,171)	–	(100,967)
– Interest in leasehold land	74,796	–	–	74,796
Non-current liabilities				
Deferred tax liabilities	–	–	(10,809)	(10,809)
NET ASSETS	–	(26,171)	(10,809)	(36,980)
RESERVES				
Other property revaluation reserve	–	–	(75,609)	(75,609)
Investment property revaluation reserve	–	–	(10,728)	(10,728)
Other capital reserves	–	(551)	–	(551)
Retained profits	–	(25,620)	75,528	49,908
	–	(26,171)	(10,809)	(36,980)

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated profit and loss account and balance sheet and other significant related disclosure items for the year ended 31 December 2005 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Estimated effect on the consolidated profit and loss account for the year ended 31 December 2005

	Effect of new policy (increase/(decrease) in profit for the year)				
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	HKAS 1 *(note 2(g))* *HK$'000*	Total *HK$'000*
Cost of sales	–	–	(38,960)	–	(38,960)
Other net income	–	–	(2,534)	–	(2,534)
Revaluation gains on investment properties	–	–	25,073	–	25,073
Other operating expenses	–	(1,594)	–	–	(1,594)
Share of results of associates	–	–	–	(79)	(79)
Taxation	–	–	(5,312)	79	(5,233)
Profit attributable to shareholders	–	(1,594)	(21,733)	–	(23,327)
Basic earnings per share *(cent)*	–	(0.4)	(6.1)	–	(6.5)
Other significant disclosure items					
Amortisation of leasehold land premium	(1,760)	–	–	–	(1,760)
Depreciation	1,760	(1,618)	–	–	142
Cost of inventories	–	–	(38,960)	–	(38,960)

(ii) Estimated effect on the consolidated balance sheet as at 31 December 2005

	Effect of new policy (increase/(decrease) in net assets)				
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	HKFRS 3 *(note 2(f))* *HK$'000*	Total *HK$'000*
Non-current assets					
Fixed assets					
– Other property, plant and equipment	(73,036)	(27,789)	–	–	(100,825)
– Interest in leasehold land	73,036	–	–	–	73,036
Non-current liabilities					
Deferred tax liabilities	–	–	(16,121)	–	(16,121)
NET ASSETS	–	(27,789)	(16,121)	–	(43,910)
RESERVES					
Other property revaluation reserve	–	–	(36,649)	–	(36,649)
Investment property revaluation reserve	–	–	(33,267)	–	(33,267)
Other capital reserves	–	(575)	–	(4,020)	(4,595)
Retained profits	–	(27,214)	53,795	4,020	30,601
	–	(27,789)	(16,121)	–	(43,910)

(c) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. In prior years, leasehold land and buildings were stated at cost less accumulated depreciation and impairment. In accordance with HKAS 17, the leasehold land and building should be split according to the relative values at the inception of the lease.

With the adoption of HKAS 17, the distinguishable leasehold interest in the land is accounted for as being held under an operating lease and is amortised on a straight line basis over the lease term. If the property held for investment is in the course of development or redevelopment, the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised in the profit and loss account immediately. Any building held for own use which is situated on such leasehold land continues to be presented as part of the property, plant and equipment and stated at cost less accumulated depreciation and impairment, if any.

The new accounting policy has been adopted retrospectively with the balance of leasehold land reclassified from "other property, plant and equipment" to "interest in leasehold land".

(d) HKAS 16 "Property, Plant and Equipment" and HK Interpretation 2 ("HK-Int 2") "The Appropriate Accounting Policies for Hotel Properties"

The adoptions of HKAS 16 and HK-Int 2 have resulted in a change in accounting policy on depreciation of the Group's hotel properties. In prior years, no depreciation was provided on hotel properties as they were maintained in such condition that their value was not diminished by the passage of time so that any element of depreciation was immaterial. Following the adoption of HKAS 16, the hotel building is depreciated over its estimated useful life and where the hotel properties are located on land held under operating lease, the underlying leasehold land is amortised on a straight line basis over the lease term in accordance with HKAS 17.

The change has been adopted retrospectively. The adjustments for each account line item affected for the years ended 31 December 2004 and 2005 are set out in note 2(a) and (b).

(e) HKAS 40 "Investment Property" and HK(SIC) Interpretation 21 ("HK(SIC)-Int 21") "Income Taxes – Recovery of Revalued Non-Depreciable Assets"

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of changes in fair value in the profit and loss account

In prior years, changes in the fair values of the Group's investment properties were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the profit and loss account had reversed, or when an individual investment property was disposed of. In these limited circumstances, changes in the fair value were recognised in the profit and loss account. Following the adoption of HKAS 40, all changes in fair values of the investment properties are recognised directly in the profit and loss account.

(ii) Effect on other property revaluation reserve

The other property revaluation reserve originally arose from the revaluation of investment properties in prior years, before the related investment properties were redeveloped into residential properties for sale. Following the adoption of HKAS 40, such revaluation reserve should have been recognised directly to the profit and loss account as they arose. Accordingly, the other property revaluation reserve at 1 January 2004 and 2005 is adjusted to retained profits.

(iii) Measurement of deferred tax on changes in fair value

In prior years, deferred tax arising from the revaluation of investment properties was calculated on the basis that the properties were held for sale. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on the disposal.

Following the adoption of HK(SIC)-Int 21, the deferred tax arising from revaluation of the investment properties which the Group has no intention to sell is provided using profits tax rate on the basis that the recovery of the carrying amount of the properties would be through use.

All of the above changes in accounting policies have been adopted retrospectively. The adjustments for each account line item affected for the years ended 31 December 2004 and 2005 are set out in note 2(a) and (b).

(f) HKFRS 3 "Business Combination"

The adoption of HKFRS 3 has resulted in a change in accounting policy for negative goodwill. In prior years, the negative goodwill which arose on acquisition of subsidiaries was included in the other capital reserves. Following the adoption of HKFRS 3, the negative goodwill arising from business combination is recognised immediately in the profit and loss account. Under the transitional provision, the negative goodwill existing at 1 January 2005, which amounted to HK$4,020,000, is derecognised by way of an adjustment to the opening balance of retained profits. No restatement of comparative information has been made.

(g) HKAS 1 "Presentation of Financial Statements"

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated profit and loss account. With effect from 1 January 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the respective shares of profit or loss reported in the consolidated profit and loss account before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 2(a).

(h) HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

With effect from 1 January 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 1(i), (j), (l), (s) and (t) to the annual report.

In prior years, equity investments held on a continuing basis for an identifiable long term purpose were classified as investment securities and stated at cost less provision. Other investments in non-trading equity securities were stated at fair value with changes in fair value recognised in the securities revaluation reserve.

With effect from 1 January 2005, and in accordance with HKAS 39, all equity securities are classified as available-for-sale equity securities and carried at fair value. Changes in fair value of available-for-sale equity securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired. There is no material adjustment arising from the adoption of the new policy except for the re-designation of non-trading securities as available-for-sale securities at 1 January 2005.

(i) HKAS 24 "Related Party Disclosures"

As a result of the adoption of HKAS 24, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20 "Related party disclosures", still been in effect.

3 SEGMENTAL INFORMATION

Segmental information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

Inter-segment pricing is based on similar terms as those available to other external parties.

The Group is currently organised into three main operating segments, namely "Property development and investment", "Ferry, shipyard and related operations" and "Travel and hotel operations".

The segmental information for the year about these business segments is presented below:

(a) Segmental revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment	**459,938**	696,980	**134**	–	**459,804**	696,980
Ferry, shipyard and related operations	**147,698**	148,678	**2,175**	1,727	**145,523**	146,951
Travel and hotel operations	**158,342**	163,088	**76**	89	**158,266**	162,999
Others	**68,792**	47,286	**41,059**	42,380	**27,733**	4,906
	834,770	1,056,032	**43,444**	44,196	**791,326**	1,011,836
Analysed by:						
Turnover					**764,129**	993,902
Other revenue					**27,197**	17,934
					791,326	1,011,836

Turnover 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) Segmental result

	Segmental result		Elimination of inter-segment transactions		Consolidated result	
	2005	2004 (restated)	**2005**	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment *(note c)*	**216,250**	323,412	**–**	–	**216,250**	323,412
Ferry, shipyard and related operations *(note d)*	**(12,382)**	(5,064)	**–**	–	**(12,382)**	(5,064)
Travel and hotel operations	**(2,580)**	1,464	**–**	–	**(2,580)**	1,464
Others *(note e)*	**28,160**	19,782	**–**	–	**28,160**	19,782
	229,448	339,594	**–**	–	**229,448**	339,594
Share of results of associates					**(14)**	2,045
Profit before taxation					**229,434**	341,639
Taxation					**13,757**	(13,834)
Profit attributable to shareholders					**243,191**	327,805

(c) The segmental result of the property development and investment operations included revaluation gains on investment properties of HK$22,539,000 (2004 (restated): HK$87,701,000).

(d) In 2004, the segmental result of the ferry, shipyard and related operations included an impairment loss in respect of an oil barge of HK$1,342,000.

(e) The segmental result of "Others" mainly comprises financial income, investment income and corporate expenses.

4 INCOME

	2005	2004 (restated)
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**6,429**	5,219
Rental income	**2,664**	1,984
Other interest income	**17,816**	10,731
Dividend from unlisted investment	**288**	–
	27,197	17,934
Other net income		
Profit on disposal of listed investment	**9**	–
Profit on disposal of unlisted investment	**–**	18,000
Unrealised gains on derivative financial instruments	**6,254**	–
Net profit on disposal of fixed assets	**376**	254
Other ferry income	**264**	264
Commission and rebates	**509**	392
Deposit forfeited	**308**	288
Income from sale of spare parts	**1,023**	2,049
Sundry income	**1,185**	3,484
	9,928	24,731

5 PROFIT BEFORE TAXATION

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

	2005	2004
	HK$'000	*HK$'000*
(a) Staff cost:		
Increase in liability for defined benefit scheme	**1,172**	1,440
Contributions to Mandatory Provident Funds	**2,023**	1,962
Retirement cost	**3,195**	3,402
Salaries, wages and other benefits	**68,512**	69,903
	71,707	73,305

	2005	2004
		(restated)
	HK$'000	*HK$'000*
(b) Other items:		
Amortisation of leasehold land premium	**1,760**	1,760
Depreciation	**8,382**	10,050
Cost of inventories	**286,978**	455,357
Auditors' remuneration		
– audit services	**1,060**	921
– other services	**288**	185
Operating lease charges in respect of		
– premises	**3,103**	3,092
– vessels	**680**	598
Impairment loss of available-for-sale equity securities	**3,112**	–
Rental receivable from investment properties net of outgoings of HK$12,230,000 (2004: HK$9,675,000)	**(438)**	(5,239)
Rental receivable from operating leases, other than those relating to investment properties, net of outgoings	**(2,256)**	(2,138)
Interest income	**(43,538)**	(14,216)
Dividend income from listed investments	**(1,712)**	(1,386)

6 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Taxation in the consolidated profit and loss account represents:

	2005	2004
		(restated)
	HK$'000	*HK$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**1,310**	4,900
Under/(over) provision in respect of prior years	**148**	(13)
	1,458	4,887
Deferred tax		
Origination and reversal of temporary differences	**(15,215)**	8,947
	(13,757)	13,834

In 2004, a provision of Hong Kong profits tax in the amount of HK$1,025,000 has been made in the accounts of a subsidiary in respect of its estimated assessable profits for the year notwithstanding that the subsidiary had made a claim for losses in prior years in respect of certain expenditure incurred, which is currently under dispute by the Inland Revenue Department. The directors believe that there are grounds to contest the assessment by taking into account the advice received from professional advisers.

The provision for Hong Kong profits tax for 2005 is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year.

7 DIVIDENDS

Dividends attributable to the year

	2005	2004
	HK$'000	*HK$'000*
Interim dividend declared and paid of 9 cents per share (2004: 9 cents)	**32,065**	32,065
Final dividend proposed after the balance sheet date of 24 cents per share (2004: 24 cents)	**85,506**	85,506
	117,571	117,571

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (excluding retention money recoverable of HK$11,165,000 (2004: HK$11,167,000) and net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	2005	2004
	HK$'000	*HK$'000*
Current	**106,445**	161,667
1 to 3 months overdue	**3,699**	3,467
More than 3 months overdue but less than 12 months overdue	**1,101**	1,089
More than 12 months overdue	**92**	100
	111,337	166,323

Debts 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.

9 TRADE AND OTHER PAYABLES

All of the trade and other payables except for HK$2,797,000 (2004: HK$170,000), being retention money payable, are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis:

	2005	2004
	HK$'000	*HK$'000*
Due within 1 month or on demand	**119,275**	226,016
Due after 3 months but within 6 months	**–**	297
Due after 12 months	**2,797**	170
	122,072	226,483

10 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit of HK$243,191,000 (2004 (restated): HK$327,805,000) and 356,273,883 (2004: 356,273,883) ordinary shares in issue during the year.

There was no dilutive potential ordinary shares in existence during the years 2004 and 2005.

DIVIDENDS

The Board of Directors recommended a final dividend of 24 cents per share to shareholders whose names appear in the register of members on 27 April 2006. This dividend, together with the interim dividend of 9 cents per share already paid, will make a total distribution of 33 cents for the full year.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 25 April 2006 to Thursday, 27 April 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 24 April 2006.

BUSINESS REVIEW

Local economy had shown sustained growth with decline in unemployment rate and improvement in business sectors. The gradual increase in interest rates during the year caused a decrease in property transactions and property price underwent slight adjustment.

The Group's profit for the year was mainly derived from the sale of the residential units of Metro Harbour View.

Property Development and Investment Operations

8 Fuk Lee Street ("Metro Harbour View")

During the year, the Group recorded an operating profit of HK$192 million from the sale of the residential units of Metro Harbour View. Properties sold comprised approximately 350 residential units representing a decrease of about 40% as compared with last year, with a value of approximately HK$420 million. The turnover represented a decrease of 37% as compared with the turnover of the previous year. The number of unsold units approximates 300. Rental income from the commercial arcade, Metro Harbour Plaza, amounted to HK$15.5 million for the year. The occupancy rate as at the end of the year was approximately 76%, or after taking into account the remaining committed tenancies, approximately 96%.

222 Tai Kok Tsui Road

The foundation work had been completed and construction of the superstructure was in good progress. The site is being developed into a residential-cum-commercial property of total gross floor area of approximately 320,000 sq. ft., comprising approximately 270,000 sq. ft. of residential use and approximately 50,000 sq. ft. of non-residential use. The target date for completion of the infrastructure is late 2008.

43-51A Tong Mi Road

The construction work had been substantially finished. The project will be ready for sale in the first half of this year.

6 Cho Yuen Street, Yau Tong

The demolition of Kingsford Industrial Centre had been completed. Construction work is expected to commence in the second half of 2006. The site will be developed into a residential-cum-commercial property with a total gross floor area of approximately 165,000 sq. ft., comprising approximately 140,000 sq. ft. of residential use and approximately 25,000 sq. ft. of non-residential use. The project will be a benchmark of luxurious residential property in the Yau Tong area.

Ferry, Shipyard and Related Operations

Due to the price-cutting competition from other harbour cruise operators, the turnover of the harbour cruise dropped by 27% against the same period last year. The substantial increase of fuel oil price led to a deficit of HK$4.3 million in Ferry, Shipyard and Related Operations for the year. During the year, the litigation fee of the court case against the Hong Kong Government relating to the proposed redevelopment of the Central ferry piers amounted to HK$8.1 million.

Travel and Hotel Operations

As a result of the after-effect of tsunami tragedy, and the threat of avian flu, the turnover of the Travel and Hotel Operations recorded a slight decrease of 3% as compared with last year. The operating results of the Travel and Hotel Operations turned from a surplus to a deficit of HK$2.6 million during the year.

FINANCIAL REVIEW

Review of Results

The Group's turnover for the year amounted to approximately HK$764 million, representing a decrease of 23.1% when compared to that recorded in the previous year. This was mainly attributed to the decrease in the sale of residential units of Metro Harbour View in the current year.

Profit from operations, which recorded a decrease of 32.4% to approximately HK$229 million comparing to that recorded in the previous year, was mainly attributed to the decrease in profits from the sale of residential units of Metro Harbour View.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2005, shareholders' fund of the Group showed an increase of 4.9% as compared to the previous year and amounted to approximately HK$3,365 million. Such an increase mainly represented the net effects of the profit realized from the sale of residential units of Metro Harbour View for the year, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change as to the capital structure of the Group during the year. As of 31 December 2005, the Group had no borrowing. Funding for the Group's activities in the year under review was mainly generated from the sale of residential units of Metro Harbour View.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK$60 million was received from an associate who provides mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK$2,290 million as compared to the current liabilities of approximately HK$204 million as of 31 December 2005. Current ratio of the Group had been increased to 11.2, mainly attributed to the reclassification of the residential portions of 222 Tai Kok Tsui Road and 6 Cho Yuen Street Project from "properties held for development" to "properties under development – held for sale" and was categorized in inventories under the current assets of the Company.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2005, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong Dollars. As a whole, the core operations of the Group can be considered as not exposed to foreign exchange rate risk to any significant extent.

Contingent Liabilities

Contingent liabilities of the Group as at 31 December 2005 amounting to approximately HK$76 million were in respect of a claim by the Hong Kong Government against the Company and a subsidiary in respect of the dispute over the reimbursement of certain costs for the proposed redevelopment of the ferry piers in Central District.

Employees

As at 31 December 2005, the number of employees of the Group stood at about 390 (2004: 390). 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 include medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK$72 million, which is commensurate with that recorded in the previous year.

PROSPECTS

The Group is optimistic about the economy in Hong Kong and Mainland China. The stabilised local property market and mortgage interest rate will later enhance turnover in local property transactions. The sale of the remaining units of Metro Harbour View has continued to receive favourable response from the market. The expected sale of Tong Mi Road Development is promising. The proceeds from the sales of the properties and the rental from commercial arcade will continue to be the primary source of income for the Group in the coming year.

With abundant cash reserve in hand, the Group will aim to explore favourable investment opportunities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company considers that it has complied with the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2005.

PUBLICATION OF FURTHER INFORMATION

The Annual Report of the Company inclusive of the Directors' Report and Accounts for the year ended 31 December 2005 and Corporate Governance Report will be published on the Company's web-site at **www.hkf.com** and the website of the Stock Exchange on or before 31 March 2006.

On behalf of the Board	On behalf of the Board
Colin K. Y. Lam	**Li Ning**
Chairman	*Director*

Hong Kong, 15 March 2006

As at the date of this announcement, the executive directors of the Company are Mr. Lam Ko Yin, Colin (Chairman) and Mr. Li Ning, the non-executive directors are Mr. Au Siu Kee, Alexander, Mr. Lau Yum Chuen, Eddie, Mr. Leung Hay Man, Dr. Lee Shau Kee and Mr. Wong Man Kong, Peter, and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Mr. Kan Yuet Loong, Michael, and Mr. Wu King Cheong.

"Please also refer to the published version of this announcement in The Standard"