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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00050)

2008 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated loss after taxation for the year ended 31 December 2008 amounted to HK\$526 million, compared with the consolidated profit after taxation in 2007 of HK\$385 million. The loss per share were 148 cents, compared with the earnings per share of 108 cents in the previous year.

Consolidated Profit and Loss Account

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	2(a)	522,361	673,318
Cost of sales		<u>(383,716)</u>	<u>(415,566)</u>
		138,645	257,752
Other revenue	2(a) & 3	37,073	42,056
Other net (loss)/income	3	(621,013)	300,906
Fair value gain on transfer of properties held for sale to investment properties	2(c)	23,045	–
Valuation (losses)/gains on investment properties	2(c)	(30,027)	14,589
Impairment on available-for-sale equity securities	2(g)	(15,932)	–
Impairment losses on fixed assets	2(d)	–	(34,704)
Reversal of provision/(provision) for litigation	9	22,933	(60,000)
Selling and marketing expenses		(17,469)	(24,279)
Administrative expenses		(41,749)	(54,457)
Other operating expenses		<u>(38,703)</u>	<u>(40,121)</u>
(Loss)/profit from operations	2(b)	(543,197)	401,742
Finance costs	4(a)	(969)	–
Share of profits of associates		<u>242</u>	<u>820</u>
(Loss)/profit before taxation	4	(543,924)	402,562
Taxation	5	<u>17,879</u>	<u>(18,040)</u>
(Loss)/profit attributable to equity shareholders of the Company	2(b)	<u>(526,045)</u>	<u>384,522</u>
Dividends payable to equity shareholders of the Company attributable to the year	6	<u>128,258</u>	<u>128,258</u>
Basic (loss)/earnings per share (cents)	10	<u>(147.7)</u>	<u>107.9</u>

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Fixed assets			
– Investment properties		872,000	780,200
– Other property, plant and equipment		109,139	115,130
– Interest in leasehold land		53,121	54,501
		<u>1,034,260</u>	<u>949,831</u>
Properties under development			
– held for investment		–	44,498
Interest in associates		108,395	151,868
Available-for-sale equity securities		127,827	193,668
Employee benefits assets		10,482	8,590
Deferred tax assets		73,375	56,276
		<u>1,354,339</u>	<u>1,404,731</u>
Current assets			
Tax recoverable		2,414	1,900
Derivative financial instruments		191,624	638,470
Inventories		1,393,741	1,022,040
Trade and other receivables	7	100,161	164,598
Cash and cash equivalents		478,713	872,106
		<u>2,166,653</u>	<u>2,699,114</u>
Current liabilities			
Bank loan and overdraft		100,216	287
Trade and other payables	8	415,895	191,920
Provision for litigation	9	–	160,000
Tax payable		31,314	38,478
		<u>547,425</u>	<u>390,685</u>
Net current assets		<u>1,619,228</u>	<u>2,308,429</u>
Total assets less current liabilities		<u>2,973,567</u>	<u>3,713,160</u>
Non-current liabilities			
Deferred tax liabilities		(29,049)	(29,922)
NET ASSETS		<u>2,944,518</u>	<u>3,683,238</u>
CAPITAL AND RESERVES			
Share capital		356,274	356,274
Reserves		2,588,244	3,326,964
TOTAL EQUITY		<u>2,944,518</u>	<u>3,683,238</u>

Notes to 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 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.

The Group is currently organised into four main operating segments, namely “Property development and investment”, “Ferry, shipyard and related operations”, “Travel and hotel operations” and “Securities investment”.

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	
	2008	2007	2008	2007	2008	2007
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Property development and investment	138,129	277,642	–	–	138,129	277,642
Ferry, shipyard and related operations	228,442	190,196	3,755	2,363	224,687	187,833
Travel and hotel operations	168,569	177,939	84	195	168,485	177,744
Securities investment	15,567	42,367	–	–	15,567	42,367
Others	53,120	70,418	40,554	40,630	12,566	29,788
	<u>603,827</u>	<u>758,562</u>	<u>44,393</u>	<u>43,188</u>	<u>559,434</u>	<u>715,374</u>
Analysed by:						
Turnover					522,361	673,318
Other revenue					<u>37,073</u>	<u>42,056</u>
					<u>559,434</u>	<u>715,374</u>

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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property development and investment (<i>note c</i>)	54,291	142,152	–	–	54,291	142,152
Ferry, shipyard and related operations (<i>note d</i>)	26,317	(103,351)	–	–	26,317	(103,351)
Travel and hotel operations	(6,065)	(676)	–	–	(6,065)	(676)
Securities investment	(611,249)	336,384	–	–	(611,249)	336,384
Others (<i>note e</i>)	(6,491)	27,233	–	–	(6,491)	27,233
	<u>(543,197)</u>	<u>401,742</u>	<u>–</u>	<u>–</u>	<u>(543,197)</u>	<u>401,742</u>
Finance costs					(969)	–
Share of profits of associates					242	820
(Loss)/profit before taxation					(543,924)	402,562
Taxation					17,879	(18,040)
(Loss)/profit attributable to equity shareholders					<u>(526,045)</u>	<u>384,522</u>

(c) The segmental result of the property development and investment operations included valuation losses on investment properties and fair value gain on transfer of properties held for sale to investment properties of HK\$30,027,000 (2007: gains of HK\$14,589,000) and HK\$23,045,000 (2007: HK\$Nil) respectively.

(d) Due to the operating environment of the shipyard operations, the segmental result of the ferry, shipyard and related operations for the year ended 31 December 2007 included impairment losses in respect of the shipyard assets of HK\$34,704,000 which are based on the Group's assessment of the recoverable amount of the related shipyard assets.

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

(f) Segmental balance sheet

	Segmental assets		Inter-segment elimination		Total assets	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property development and investment	2,403,060	2,115,904	–	–	2,403,060	2,115,904
Ferry, shipyard and related operations	184,941	172,397	–	–	184,941	172,397
Travel and hotel operations	52,262	49,378	–	–	52,262	49,378
Securities investment	341,946	1,122,180	–	–	341,946	1,122,180
Others	538,783	643,986	–	–	538,783	643,986
Total assets	<u>3,520,992</u>	<u>4,103,845</u>	<u>–</u>	<u>–</u>	<u>3,520,992</u>	<u>4,103,845</u>

	Segmental liabilities		Inter-segment elimination		Total liabilities	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property development and investment	344,380	115,358	–	–	344,380	115,358
Ferry, shipyard and related operations	31,476	197,294	–	–	31,476	197,294
Travel and hotel operations	30,775	31,575	–	–	30,775	31,575
Securities investment	100,193	139	–	–	100,193	139
Others	69,650	76,241	–	–	69,650	76,241
Total liabilities	<u>576,474</u>	<u>420,607</u>	<u>–</u>	<u>–</u>	<u>576,474</u>	<u>420,607</u>

The “Others” segment mainly comprises financial assets, tax recoverable and payable and deferred tax assets and liabilities.

(g) Other segmental information

	Depreciation and amortisation		Impairment loss		Capital expenditure incurred	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property development and investment	58	73	18	347	56,518	19,886
Ferry, shipyard and related operations	7,639	8,836	–	34,704	2,398	815
Travel and hotel operations	2,476	2,574	–	–	248	1,457
Securities investment	–	–	15,932	–	–	–
Others	217	178	–	–	460	120
	<u>10,390</u>	<u>11,661</u>	<u>15,950</u>	<u>35,051</u>	<u>59,624</u>	<u>22,278</u>

Certain of the Group’s investment securities were determined to be impaired on the basis of significant or prolonged decline in their fair values below costs. During the year, impairment losses of HK\$15.9 million (2007: HK\$Nil) has been made and recognised in the consolidated profit and loss account.

3 OTHER REVENUE AND NET (LOSS)/INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Other revenue		
Other interest income	20,524	19,126
Management fee income	8,827	11,912
Air-conditioning charges income	5,947	5,813
Other income	<u>1,775</u>	<u>5,205</u>
	<u>37,073</u>	<u>42,056</u>
Other net (loss)/income		
Net realised and unrealised (losses)/gains on derivative financial instruments (<i>note</i>)	(609,906)	309,594
Net exchange losses	(14,742)	(12,058)
Sundry income	2,577	1,448
Income from sale of spare parts	737	1,970
Net profit/(loss) on disposal of fixed assets	<u>321</u>	<u>(48)</u>
	<u>(621,013)</u>	<u>300,906</u>

Note: Due to the worsening of the recent global financial turmoil, which has led to the fall in fair value of the Group's investments in equity-linked notes, a net realised and unrealised loss of HK\$610 million has been recognised in the profit and loss account.

4 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loan wholly repayable within five years	<u>969</u>	<u>–</u>

(b) Staff costs:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Decrease in liability for defined benefit retirement plan	(1,892)	(1,980)
Contributions to Mandatory Provident Funds	<u>2,409</u>	<u>2,300</u>
Retirement costs	517	320
Salaries, wages and other benefits	<u>78,676</u>	<u>75,396</u>
	<u>79,193</u>	<u>75,716</u>

(c) **Other items:**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,380	1,760
Depreciation	9,010	9,901
Cost of inventories	163,296	206,988
Auditor's remuneration		
– audit services	1,281	1,140
– other services	240	249
Operating lease charges in respect of		
– premises	4,058	4,422
– vessels	220	729
Impairment losses on trade and other receivables	18	347
Rentals receivable from investment properties net of outgoings of HK\$16,343,000 (2007: HK\$14,686,000)	(14,443)	(10,353)
Rentals receivable from operating leases, other than those relating to investment properties, net of outgoings HK\$612,000 (2007: HK\$840,000)	(2,512)	(4,754)
Interest income	(28,975)	(46,139)
Dividend income from listed investments	(5,727)	(37,405)

5 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Taxation in the consolidated profit and loss account represents:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax – Hong Kong profits tax		
Provision for the year	168	26,633
One-off rebate of profits tax	(75)	–
Under-provision in respect of prior years	–	4
	93	26,637
Deferred tax		
Origination and reversal of temporary differences	(19,478)	(8,597)
Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	1,506	–
	(17,972)	(8,597)
	(17,879)	18,040

In February 2008, the Hong Kong Government announced a decrease in the profits tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of the Group's and the Company's 2008 accounts. Accordingly, the provision for Hong Kong profits tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balances of deferred tax have been re-estimated accordingly.

6 DIVIDENDS

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim dividend declared and paid of 10 cents (2007: 10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the balance sheet date of 26 cents (2007: 26 cents) per ordinary share	<u>92,631</u>	<u>92,631</u>
	<u>128,258</u>	<u>128,258</u>

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

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of 26 cents (2007: 24 cents) per share	<u>92,631</u>	<u>85,506</u>

7 TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	52,964	127,109
Less: allowance for doubtful debts	<u>(1,359)</u>	<u>(1,347)</u>
	51,605	125,762
Other receivables and prepayments	<u>48,556</u>	<u>38,836</u>
	<u>100,161</u>	<u>164,598</u>

All of the trade and other receivables except instalment receivables of HK\$4,973,000 (2007: HK\$3,443,000) are expected to be recovered within one year.

Ageing analysis

Included in trade and other receivables are trade receivables (excluding retention money recoverable of HK\$2,822,000 (2007: HK\$798,000) and net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current	37,664	117,070
1 to 3 months overdue	9,081	5,895
More than 3 months overdue but less than 12 months overdue	1,265	1,043
More than 12 months overdue	<u>773</u>	<u>956</u>
	<u>48,783</u>	<u>124,964</u>

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.

8 TRADE AND OTHER PAYABLES

All of the trade and other payables, apart from the retention payables of HK\$10,055,000 (2007: HK\$3,792,000) are expected to be settled within one year.

Included in trade and other payables are trade payables with the following ageing analysis as of balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Due within 1 month or on demand	315,980	75,897
Due after 1 month but within 3 months	303	248
Due after 3 months but within 6 months	–	16,717
Due after 12 months	10,218	3,792
	326,501	96,654

9 LITIGATION

Regarding a litigation between the Group and the Hong Kong Government, both parties signed a Consent Summons to the Court on 20 November 2008, with the Group agreeing to pay the Government a sum of HK\$125 million (inclusive of interest and legal costs) for a complete settlement. Accordingly, taking into account of further legal costs of HK\$12 million incurred in this regard during the year, HK\$22,933,000 has been written back in the current year.

10 BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$526,045,000 (2007: profit of HK\$384,522,000) and 356,273,883 (2007: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2007 and 2008.

DIVIDENDS

The Board of Directors recommended a final dividend of 26 cents (2007: 26 cents) per share. Subject to the shareholders' approval at the annual general meeting to be held on Friday, 8 May 2009, the final dividend will be paid on or about Friday, 22 May 2009 to equity shareholders whose names appear on the register of members at the close of business on Friday, 8 May 2009. This dividend, together with the interim dividend of 10 cents per share already paid, will make a total distribution of 36 cents for the full year.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 6 May 2009 to Friday, 8 May 2009, 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 share registrars, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 5 May 2009.

BUSINESS REVIEW

In 2008, the credit crunch triggered by the US sub-prime mortgages has led to the failure of banks and investment banks in the US. The chain effect resulted in the most severe worldwide financial crisis in half a century. Many large banks in Europe and United States faced significant losses and required the support of their governments by way of capital injection. The stock prices of some banks dropped to one twentieth of their values as compared to one and a half year ago. 2008 witnessed a dramatic shrinking of global credit, plummeting stock markets and a significant decline in the prices of oil and commodities. Economies around the world are badly hit.

Hong Kong is not immune from the global financial turmoil. Trade and export volumes have decreased. Unemployment has surged and the stock market has seen a sharp fall. The Group's results have also been adversely affected.

The Group's investments in equity-linked notes recorded a marked-to-market loss of HK\$610 million as at 31 December 2008. When compared with the relevant book costs, the equity-linked notes showed a deficit of HK\$444 million as at year-end.

There were no new residential projects launched for sale by the Company during 2008. However, the Company sold all 18 remaining units in Metro Harbour View and MetroRegalia. The sale proceeds of these units together with rental income from the commercial arcade of the two properties constituted the main source of income for 2008. Since the issue of the occupation permit of "Shining Heights" was delayed in 2008, the sale of the first batch of residential units was deferred until the end of February 2009.

Property Development and Investment Operations

8 Fuk Lee Street ("Metro Harbour View")

During the year, the Group recorded a gross profit of approximately HK\$8 million from the sale of all the remaining residential units of Metro Harbour View. Rental income from the commercial arcade amounted to approximately HK\$34 million for the year. The occupancy rate at the end of the year was approximately 88%.

51 Tong Mi Road ("MetroRegalia")

The Group recorded a gross profit of approximately HK\$35 million from the sale of all the remaining units of MetroRegalia during the year. The commercial arcade was fully let during the year. Rental income derived from the shops of MetroRegalia amounted to approximately HK\$1.3 million.

83 Sycamore Street ("Shining Heights")

As mentioned above, the first batch of residential units are currently on sale and 80 residential units have been sold, amounting to approximately HK\$370 million. The project is a 60-storey building, 700 feet high, with gross floor area of approximately 336,000 sq. ft. It is the highest building in the district with commanding views of the Central District and the Lion Rock. The spacious clubhouse of approximately 30,000 sq. ft. has comprehensive facilities, including Star Theatre with the latest Stewart 138" perforated curve screen, outdoor swimming pool, banquet room, gymnasium, spa area, karaoke room, children play area, and sauna rooms, etc. It was expected that the project would generate satisfactory result for the Group.

6 Cho Yuen Street, Yau Tong

The superstructure has been completed. The total gross floor area is approximately 165,000 sq. ft., comprising 140,000 sq. ft. for residential use and 25,000 sq. ft. for non-residential use. The occupation permit for the said project has just been issued and the project was currently undergoing interior decoration. The flats will be launched for sale in the not-too-distant future.

Ferry, Shipyard and Related Operations

The turnover of harbour cruise operations increased by 13%. The turnover of both the vehicular ferry operations and the shipyard operations rose by 11% and 34% respectively. During the year, the demand for the maintenance service of yachts, passenger catamaran and tugboat has increased as a whole. The Ferry, Shipyard and Related Operations recorded a profit of approximately HK\$3.4 million.

Travel and Hotel Operations

The Hotel Operation recorded a deficit of HK\$2.3 million due to the fall in rooms available for rental during the renovation period of the old wing of Silvermine Beach Hotel. Faced with a difficult environment for tourism, the Travel Operation recorded a loss of HK\$3.8 million.

Central Pier Litigation

In January 2007, the Group filed a Notice of Appeal against parts of the Judgment of the Court of First Instance, which was in favour of the Government. The case was heard in the Court of Appeal in March 2008 and judgment was handed down soon thereafter. The Group was partly successful in the appeal. The second trial was scheduled to take place in November 2008, when final liability and quantum can be determined. According to the evidence of both parties, the Group's legal advisors assessed the Group's maximum potential liability would be in the region of about HK\$290 million.

Prior to the conclusion of the second trial, the parties signed a consent summons on 20 November 2008 for the complete settlement of the Action (including the counterclaim) with the Group agreeing to pay the Government a sum of HK\$125 million (inclusive of interest and legal costs). The Board considered that it was acceptable and represented a significant reduction from the maximum potential liability estimated by the Group. It is also within the amount of HK\$160 million provided for in the accounts of the Group's potential liability in respect of the Government's claims. A sum of surplus provision HK\$23 million had been written back as a profit item of the Group in the financial year ended 31 December 2008.

FINANCIAL REVIEW

Review of Results

The Group's turnover for the year amounted to approximately HK\$522 million, representing a decrease of 22% when compared to the previous year. This was mainly attributed to the decrease in the sales of the residential units in Metro Harbour View and MetroRegalia.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2008, shareholders' fund of the Group showed a decrease of 20% as compared to the previous year and amounted to approximately HK\$2,945 million. The decrease was mainly due to the net effects of realised and unrealised losses on the equity-linked notes ("ELNs"), the decrease in property sales, fall in fair value of available-for-sale equity securities and the payment of dividends.

There was no change as to the capital structure of the Group during the year. As of 31 December 2008, the Group had a bank borrowing of HK\$100 million. Funding for the Group's activities in the year under review was mainly generated from the sale of residential units of Metro Harbour View and MetroRegalia.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK\$44 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\$2,167 million as compared to the current liabilities of approximately HK\$547 million as of 31 December 2008. Current ratio of the Group had been decreased to 4, mainly attributed to the reduction in cash reserves, the diminution in market value of the ELNs and the increase in trade and other payables.

Gearing Ratio and Financial Management

At 31 December 2008, the gearing ratio stood at 3.4%, which was calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund.

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 and United States dollar. Certain ELNs and deposits are denominated in United States dollar and Australian dollar, and the incidental foreign exchange exposure are kept under periodic review. The management will consider appropriate hedging measures, if necessary.

Employees

As at 31 December 2008, the number of employees of the Group stood at about 380 (2007: 380). 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\$79 million, which is commensurate with that recorded in the previous year.

PROSPECTS

In an attempt to combat the ongoing financial crisis, the United States, Europe and China have launched economic stimulus packages respectively and adopted appropriate monetary and fiscal policies. However, it will take time for these measures to show effect. At present, significant negative pressures still overhang the worldwide economy. It is expected that the local economy will be fragile and unemployment will increase further.

In the prevailing adverse market condition, the Group will adopt a prudent policy to maintain a sizable cash position and preserve our financial strength to take advantage of attractive investment opportunities in future. The Group would make new investments in properties, securities and/or bonds once the economy, the stock market and the foreign exchange market become more stable. The revenue from sale of flats of “Shining Heights” and Cho Yuen Street in Yau Tong will be the major source of income of the year. The Group expects the business operations in the coming year to improve.

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 on 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 during the year.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2008.

PUBLICATION OF FURTHER INFORMATION

This annual results announcement is published on HKExnews at www.hkexnews.hk and on the website of the Company at www.hkf.com. The 2008 Annual Report of the Company inclusive of the Directors’ Report and Accounts for the year ended 31 December 2008 and Corporate Governance Report will be available on both websites and will be dispatched to the shareholders of the Company in due course.

On behalf of the Board
Colin K. Y. Lam
Chairman

On behalf of the Board
Li Ning
Director

Hong Kong, 13 March 2009

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