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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00050)

2010 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2010 amounted to approximately HK\$483 million, a drop of 56% as compared with the consolidated profit after taxation of HK\$1,095 million in 2009. The reduction in profit was mainly due to the fact that less development properties were sold this year. The earnings per share this year were 136 cents compared with the earnings per share of 308 cents in the previous year.

Consolidated Profit and Loss Account

For the year ended 31 December 2010

	Note	2010 HK\$'000	2009 (Restated) HK\$'000
Turnover	3(a)	911,707	2,138,724
Cost of sales		<u>(525,937)</u>	<u>(1,188,048)</u>
		385,770	950,676
Other revenue	3(a) & 4	26,519	23,398
Other net income	4	121,893	380,684
Valuation gains/(losses) on investment properties and investment property held for development	3(d)	123,061	(25,668)
Selling and marketing expenses		(42,160)	(87,345)
Administrative expenses		(41,343)	(40,728)
Other operating expenses		<u>(46,633)</u>	<u>(41,583)</u>
Profit from operations	3(b)	527,107	1,159,434
Finance cost	5(a)	–	(1,789)
Share of profits less loss of associates		<u>767</u>	<u>662</u>
Profit before taxation	5	527,874	1,158,307
Taxation	6	<u>(44,707)</u>	<u>(62,824)</u>
Profit attributable to equity shareholders of the Company		<u>483,167</u>	<u>1,095,483</u>
Earnings per share (<i>cents</i>)			
– Basic and diluted	9	<u>135.6</u>	<u>307.5</u>

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Profit attributable to equity shareholders of the Company		483,167	1,095,483
Other comprehensive income for the year (after tax and reclassification adjustments):	8		
Available-for-sale equity securities: net movement in the securities revaluation reserve		(30,737)	161,332
Realisation of inter-company profits		(24)	(24)
		(30,761)	161,308
Total comprehensive income attributable to equity shareholders of the Company		452,406	1,256,791

Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010		31 December 2009 (Restated)		1 January 2009 (Restated)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets							
Fixed assets							
– Investment properties			914,650	837,900		872,000	
– Investment property held for development			99,000	89,000		–	
– Other property, plant and equipment			120,003	127,660		109,139	
– Interest in leasehold land			50,361	51,741		53,121	
			<u>1,184,014</u>	<u>1,106,301</u>		<u>1,034,260</u>	
Interest in associates			40,092	80,127		108,395	
Available-for-sale equity securities			593,762	542,470		127,827	
Employee benefits assets			11,087	10,841		10,482	
Deferred tax assets			8,134	27,609		73,836	
			<u>1,837,089</u>	<u>1,767,348</u>		<u>1,354,800</u>	
Current assets							
Tax recoverable			7,087	2,154		2,414	
Derivative financial instruments			55,732	300,433		191,624	
Inventories			1,784,682	570,475		1,393,741	
Trade and other receivables	10		215,047	501,725		100,161	
Cash and cash equivalents			753,670	1,321,676		478,713	
			<u>2,816,218</u>	<u>2,696,463</u>		<u>2,166,653</u>	
Current liabilities							
Bank loan and overdraft			326	238		100,216	
Trade and other payables	11		186,807	313,533		415,895	
Tax payable			39,343	46,990		31,314	
			<u>226,476</u>	<u>360,761</u>		<u>547,425</u>	
Net current assets			<u>2,589,742</u>	<u>2,335,702</u>		<u>1,619,228</u>	
Total assets less current liabilities			<u>4,426,831</u>	<u>4,103,050</u>		<u>2,974,028</u>	
Non-current liabilities							
Deferred tax liabilities			1,443	1,810		1,321	
NET ASSETS			<u>4,425,388</u>	<u>4,101,240</u>		<u>2,972,707</u>	
CAPITAL AND RESERVES							
Share capital			356,274	356,274		356,274	
Reserves			4,069,114	3,744,966		2,616,433	
TOTAL EQUITY			<u>4,425,388</u>	<u>4,101,240</u>		<u>2,972,707</u>	

Notes to the Accounts

1 BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the accounts.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, *Improvements to HKFRSs (2009)* are relevant to the Group’s financial statements:

The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of certain Group’s leasehold land interests located in the Hong Kong Special Administrative Region, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group’s judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that these leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

Early adoption of the amendments to HKAS 12, *Income taxes*

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current and comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties in Hong Kong with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax were generally measured using the tax rate that would apply as a result of recovery of the asset’s value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1 January 2009 and 2010, with consequential adjustments to comparatives for the year ended 31 December 2009. This has resulted in a reduction in the amount of deferred tax provided on valuation gain as follows:

	As previously reported <i>HK\$'000</i>	Effect of adoption of amendments to HKAS 12 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Consolidated profit and loss account for the year ended 31 December 2009:			
Income tax	(59,721)	(3,103)	(62,824)
Profit for the year	1,098,586	(3,103)	1,095,483
Basic and diluted earnings per share (<i>cents</i>)	308.4	(0.9)	307.5
Consolidated balance sheet at 31 December 2009:			
Deferred tax assets	28,241	(632)	27,609
Deferred tax liabilities	(27,528)	25,718	(1,810)
Retained profits	2,143,323	25,086	2,168,409
Consolidated balance sheet at 1 January 2009:			
Deferred tax assets	73,375	461	73,836
Deferred tax liabilities	(29,049)	27,728	(1,321)
Retained profits	1,172,995	28,189	1,201,184

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.

To consistent the information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group is currently organised into five main reportable segments:

- Property development: development and sale of properties.
- Property investment: leasing of properties.
- Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.
- Travel and hotel operations: hotel operation and management and operation of travel agency services.
- Securities investment: equity investments.

Segment 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.

Segment results

In accordance with HKFRS 8, segment information disclosed in the accounts has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The segment information for the years ended 31 December 2010 and 2009 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Property development	542,286	1,782,995	–	–	542,286	1,782,995
Property investment	50,311	42,768	59	44	50,252	42,724
Ferry, shipyard and related operations	142,651	159,382	2,713	2,031	139,938	157,351
Travel and hotel operations	175,700	162,660	99	154	175,601	162,506
Securities investment	12,518	9,142	–	–	12,518	9,142
Others	60,600	49,062	42,969	41,658	17,631	7,404
	984,066	2,206,009	45,840	43,887	938,226	2,162,122
Analysed by:						
Turnover					911,707	2,138,724
Other revenue					26,519	23,398
					938,226	2,162,122

The principal activities of the Group are property development, property investment, ferry and related businesses, travel businesses and hotel operations, and securities investment.

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) Segment result

	Reportable segment profit	
	2010 HK\$'000	2009 HK\$'000
Property development	227,925	778,499
Property investment (Note d)	179,687	(3,579)
Ferry, shipyard and related operations	9,936	3,015
Travel and hotel operations	2,359	(1,358)
Securities investment	51,895	341,126
Others (Note e)	55,305	41,731
	527,107	1,159,434

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reportable segment profit derived from external customers	527,107	1,159,434
Finance cost	–	(1,789)
Share of profits less loss of associates	767	662
	<u>527,874</u>	<u>1,158,307</u>

(d) The segment result of the property investment included valuation gains on investment properties and investment property held for development of HK\$123,061,000 (2009: losses of HK\$25,668,000).

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

(f) **Other segment information**

	Depreciation and amortisation		Impairment loss/ (reversal of impairment loss)		Capital expenditure incurred	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Property investment	32	37	31	(217)	–	103,958
Ferry, shipyard and related operations	8,854	8,187	–	–	1,620	19,939
Travel and hotel operations	2,677	2,604	–	–	1,434	6,092
Securities investment	–	–	–	–	–	–
Others	623	302	–	–	114	2,220
	<u>12,186</u>	<u>11,130</u>	<u>31</u>	<u>(217)</u>	<u>3,168</u>	<u>132,209</u>

4 **OTHER REVENUE AND NET INCOME**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other revenue		
Management fee income	8,301	7,867
Air-conditioning charges income	5,729	5,422
Other interest income	5,049	7,940
Other income	7,440	2,169
	<u>26,519</u>	<u>23,398</u>
Other net income		
Net profit on sale of available-for-sale equity securities	42,194	53,864
Net exchange gains	38,436	40,444
Net profit on disposal of investment properties	36,191	2,901
Net realised and unrealised gains on derivative financial instruments	984	278,609
Income from sale of spare parts	346	267
Forfeited deposits	314	2,140
Net profit/(loss) on disposal of other property, plant and equipment	127	(12)
Sundry income	3,301	2,471
	<u>121,893</u>	<u>380,684</u>

5 PROFIT BEFORE TAXATION

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

(a) Finance cost:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loan wholly repayable within five years	–	1,789

(b) Staff costs:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Decrease in liability for defined benefit retirement plan	(246)	(359)
Contributions to Mandatory Provident Funds	2,056	2,325
Retirement costs	1,810	1,966
Salaries, wages and other benefits	75,899	75,787
	77,709	77,753

(c) Other items:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,380	1,380
Depreciation	10,806	9,750
Cost of inventories	311,706	989,050
Auditor's remuneration		
– audit services	1,311	1,279
– other services	240	231
Operating lease charges in respect of premises	4,586	4,331
Impairment losses/(reversal of impairment losses)		
on trade and other receivables	31	(217)
Rentals receivable from investment properties net of direct outgoings of HK\$21,289,000 (2009: HK\$16,907,000)	(15,451)	(12,750)
Rentals receivable from operating leases, other than those relating to investment properties, net of direct outgoings of HK\$936,000 (2009: HK\$544,000)	(6,829)	(3,007)
Interest income	(20,078)	(10,927)
Dividend income from listed investments	(12,005)	(7,897)

6 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Taxation in the consolidated profit and loss account represents:

	2010 <i>HK\$'000</i>	2009 (Restated) <i>HK\$'000</i>
Current tax -Hong Kong Profits Tax		
Provision for the year	25,661	16,108
Over-provision in respect of prior year	<u>(62)</u>	<u>–</u>
	25,599	16,108
Deferred tax		
Origination and reversal of temporary differences	<u>19,108</u>	<u>46,716</u>
	<u><u>44,707</u></u>	<u><u>62,824</u></u>

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

7 DIVIDENDS

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2009: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the balance sheet date of HK26 cents (2009: HK26 cents) per ordinary share	<u>92,631</u>	<u>92,631</u>
	<u><u>128,258</u></u>	<u><u>128,258</u></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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2009: HK26 cents) per ordinary share	<u>92,631</u>	<u>92,631</u>

8 OTHER COMPREHENSIVE INCOME

Reclassification adjustments relating to components of other comprehensive income

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Available-for-sale equity securities		
Changes in fair value recognised during the year	11,759	215,848
Reclassification adjustments for amounts transferred to profit or loss: – gains on disposal	<u>(42,496)</u>	<u>(54,516)</u>
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	<u><u>(30,737)</u></u>	<u><u>161,332</u></u>

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$483,167,000 (2009 (restated): HK\$1,095,483,000) and 356,273,883 (2009: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2009 and 2010, therefore diluted earnings per share are the same as basic earnings per share for both years.

10 TRADE AND OTHER RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	164,186	457,740
Less: allowance for doubtful debts	<u>(31)</u>	<u>(542)</u>
	164,155	457,198
Other receivables and prepayments	<u>50,892</u>	<u>44,527</u>
	<u><u>215,047</u></u>	<u><u>501,725</u></u>

All of the trade and other receivables except instalment receivables of HK\$96,420,000 (2009: HK\$98,232,000) are expected to be recovered within one year.

Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current	154,077	447,928
1 to 3 months overdue	6,731	5,969
More than 3 months overdue but less than 12 months overdue	3,022	2,993
More than 12 months overdue	325	308
	<hr/> 164,155 <hr/>	<hr/> 457,198 <hr/>

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.

11 TRADE AND OTHER PAYABLES

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Due within 1 month or on demand	109,496	235,949
Due after 1 month but within 3 months	83	4
Due after 12 months	–	231
	<hr/> 109,579 <hr/>	<hr/> 236,184 <hr/>

DIVIDENDS

The Board of Directors recommended a final dividend of 26 cents per share. Subject to shareholders' approval at the annual general meeting to be held on Monday, 9 May 2011, the final dividend will be paid on or about Monday, 23 May 2011 to equity shareholders whose names appear on the register of members at the close of business on Monday, 9 May 2011. 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 Thursday, 5 May 2011 to Monday, 9 May 2011, both days inclusive, during which period no requests for the transfer of shares will be accepted.

In order to qualify for the final dividend and the entitlement to attend and vote at the annual general meeting to be held on Monday, 9 May 2011, all transfers of shares 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 Wednesday, 4 May 2011.

BUSINESS REVIEW

For the period under review, profit for the Group was mainly derived from the sale of the remaining residential units of Shining Heights and The Spectacle, gains from investments in listed securities and the surplus from the revaluation of properties. Due to the sustained recovery of the local economy, the rental income of the Group registered stable growth.

Property Development and Investment Operations

For the year under review, the Group sold 30 units in Shining Heights and 72 units in The Spectacle which accounted for a total profit of approximately HK\$228 million. The remaining 25 units of Shining Heights and 34 units of The Spectacle would be sold by stages in 2011. As regards commercial arcades, the Group realized a profit of HK\$36 million from the sales proceeds of approximately HK\$70 million upon the disposal of MetroRegalia shops. Rental and other income from the commercial arcades of the Group amounted to approximately HK\$44 million. The occupancy rates of the commercial arcades of Metro Harbour View and Shining Heights were 97% and 82% respectively whereas the commercial arcade of MetroRegalia was fully let for the year and contributed a rental income of approximately HK\$1.2 million.

As regards property development, the Group acquired at a public land auction in May 2010, Fanling Sheung Shui Town Lot No. 177 located at the junction of Ma Sik Road and Sha Tau Kok Road (Lung Yeuk Tau Section) Area 19, Fanling, New Territories with a site area of approximately 95,800 sq. ft. designated for residential cum-commercial use. The development comprises 3 residential towers built on a 2 storey commercial podium with a total gross floor area of approximately 540,000 sq. ft. The foundation works of the property has commenced and construction is progressing well. It is expected to be finished by phases before 2014.

The Group has already acquired the entire ownership of the property at 204-214 Tung Chau Street, Shum Shui Po, Kowloon. The property will be re-developed into a commercial/residential building with a gross floor area of approximately 54,000 sq. ft. It is expected that the property will be demolished and construction works will commence in the later part of this year.

The Group realized a profit of HK\$42 million in securities investment and recorded a marked-to-market profit of approximately HK\$4.7 million in equity-linked-notes (ELNs).

Ferry, Shipyard and Related Operations

The Harbour Cruise operation achieved an increase of approximately 100% in operating profit. The deficit of the shipyard was also reduced by 27%. The Ferry, Shipyard and Related Operations recorded a profit of approximately HK\$9.9 million in total, an increase of 230% as compared with last year.

Travel and Hotel Operations

The Travel operations achieved a profit this year. The Silvermine Beach Hotel registered a turnaround to profit this year. The Travel and Hotel operation recorded a profit of HK\$2.4 million.

FINANCIAL REVIEW

Review of Results

The Group's turnover for the year amounted to approximately HK\$912 million, representing a decrease of 57% when compared to the previous year. This was mainly attributed to the decrease in the sales of the residential units in Shining Heights.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2010, shareholders' fund of the Group showed an increase of 8%, as compared to the previous year and amounted to approximately HK\$4,425 million. The increase was mainly due to the net effects of the increase in property portfolio and the payment of dividends.

There was no change as to the capital structure of the Group during the year. Funding for the Group's activities in the year under review was mainly generated from the sale of residential units of Shining Heights and The Spectacle.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK\$40.8 million was received from an associate who provided mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK\$2,816 million as compared to the current liabilities of approximately HK\$226 million as of 31 December 2010. Current ratio of the Group had been increased to 12.4, mainly attributed to the increase in inventories, and reduction in cash and trade and other payables.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2010, 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 dollar and United States dollar. Certain ELNs and deposits are denominated in United States dollar and Australian dollar, and the incidental foreign exchange exposures are kept under periodic review. The management will consider appropriate hedging measures, if necessary.

Employees

As at 31 December 2010, the number of employees of the Group stood at about 360 (2009: 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 included medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK\$78 million, which was commensurate with that recorded in the previous year.

PROSPECTS

The second round of quantitative easing in the US coupled with low interest rates have fostered the further development of the local economy. The inflow of foreign capital, the rise in the number of visiting tourists and the enhancement of CEPA (the mainland and Hong Kong Closer Economic Partnership Arrangement) and cross-border RMB settlement arrangements by the Central Government will benefit Hong Kong as a whole.

The substantial rise of Hong Kong property prices and increased consumption expenditure by Hong Kong citizens and mainland tourists have led to concerns on the possible negative impact of inflationary pressures on the economy. A series of measures to suppress residential property prices and plans to increase land supply by the SAR Government had a cooling effect on speculative activities in the residential market resulting in an increase in the ratio of self-dwelling owner-buyers as compared to speculators.

The key consideration of the Group in developing small and medium size residential units is to treat as priority the location and design to meet the actual demand of the buyers. We are confident that our products will continue to be welcomed by buyers. The sales proceeds from the sale of Shining Height and The Spectacle will remain the main source of income of the Group.

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 2010.

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 2010 Annual Report of the Company inclusive of the Directors' Report and Accounts for the year ended 31 December 2010 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, 16 March 2011

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.