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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)

2021 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. After taking into account the valuation gains on the Group's investment properties of HK\$76 million, the Group's consolidated profit after taxation for the year ended 31 December 2021 increased by 345% to approximately HK\$118 million as compared with the same period of 2020. Earnings per share was HK\$0.33 (2020: HK\$0.07).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3(a)	244,197	208,269
Direct costs		(164,622)	(149,051)
		79,575	59,218
Other revenue	3(a) & 4	82,203	70,625
Other net loss	4	(5,336)	(214)
Valuation gains/(losses) on investment properties	3(d)	75,621	(20,674)
Selling and marketing expenses		(5,004)	(142)
Administrative expenses		(52,405)	(50,263)
Other operating expenses		(4,709)	(3,871)
Profit from operations	3(b)	169,945	54,679
Interest on lease liabilities		(122)	(160)
Share of profits less losses of associates		1,184	1,622
Share of losses of joint ventures		(32,404)	(16,491)
Profit before taxation	5	138,603	39,650
Taxation	6	(20,354)	(13,062)
Profit attributable to equity shareholders of the Company		118,249	26,588
Earnings per share			
– Basic and diluted	8	\$0.33	\$0.07

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 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to equity shareholders of the Company	<u>118,249</u>	<u>26,588</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	2,157	(2,539)
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	1,341	(50,068)
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>(458)</u>	<u>214</u>
Other comprehensive income for the year	<u>3,040</u>	<u>(52,393)</u>
Total comprehensive income attributable to equity shareholders of the Company	<u><u>121,289</u></u>	<u><u>(25,805)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		2021		2020	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			2,258,005		2,172,970
Other property, plant and equipment			51,994		51,371
Interest in leasehold land			34,924		36,293
			<u>2,344,923</u>		<u>2,260,634</u>
Interest in associates			7,640		7,423
Interest in joint ventures			495,353		1,527,257
Other financial assets			135,577		159,654
Deferred tax assets			3,526		3,527
			<u>2,987,019</u>		<u>3,958,495</u>
Current assets					
Inventories		1,340,088		1,231,195	
Trade and other receivables	9	236,062		269,107	
Tax recoverable		23,030		29,322	
Cash and bank balances		1,683,031		731,096	
			<u>3,282,211</u>	<u>2,260,720</u>	
Current liabilities					
Trade and other payables	10	163,882		152,551	
Lease liabilities		2,121		1,828	
Tax payable		18,909		16,243	
			<u>184,912</u>	<u>170,622</u>	
Net current assets			<u>3,097,299</u>		<u>2,090,098</u>
Total assets less current liabilities			<u>6,084,318</u>		<u>6,048,593</u>
Non-current liabilities					
Net employee retirement benefits liabilities		2,720		4,123	
Lease liabilities		2,053		3,728	
Deferred tax liabilities		75,027	79,800	68,445	76,296
NET ASSETS			<u>6,004,518</u>		<u>5,972,297</u>
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			4,249,717		4,217,496
TOTAL EQUITY			<u>6,004,518</u>		<u>5,972,297</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 (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the years ended 31 December 2021 and 2020 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 2020 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 2021 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on the financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, rent concessions beyond 30 June 2021 are accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

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.

3. SEGMENT INFORMATION (Continued)

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.

The segment information for the years ended 31 December 2021 and 2020 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Property development	12,232	94	–	–	12,232	94
Property investment	147,200	145,580	–	–	147,200	145,580
Ferry, shipyard and related operations	142,971	103,945	1,208	1,109	141,763	102,836
Securities investment	6,922	6,928	–	–	6,922	6,928
Others	83,249	89,033	64,966	65,577	18,283	23,456
	392,574	345,580	66,174	66,686	326,400	278,894
Analysed by:						
Revenue					244,197	208,269
Other revenue					82,203	70,625
					326,400	278,894

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 profit/(loss)	
	2021 HK\$'000	2020 HK\$'000
Property development	3,657	(1,903)
Property investment (note 3(d))	148,036	49,848
Ferry, shipyard and related operations	8,560	(17,904)
Securities investment	(804)	3,930
	<u>159,449</u>	<u>33,971</u>
Others (note 3(e))	10,496	20,708
	<u>169,945</u>	<u>54,679</u>

(c) Reconciliation of reportable segment profit

	2021 HK\$'000	2020 HK\$'000
Reportable segment profit derived from external customers	159,449	33,971
Other profit derived from banks and external customers	10,496	20,708
Interest on lease liabilities	(122)	(160)
Share of losses of associates and joint ventures (net)	(31,220)	(14,869)
	<u>138,603</u>	<u>39,650</u>

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$75,621,000 (2020: valuation losses of HK\$20,674,000).

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

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Property investment	–	–	4	559	9,414	7,674
Ferry, shipyard and related operations	8,656	8,522	382	2,188	7,362	182
Others	518	468	–	–	360	155
	<u>9,174</u>	<u>8,990</u>	<u>386</u>	<u>2,747</u>	<u>17,136</u>	<u>8,011</u>

4. OTHER REVENUE AND NET LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other revenue		
Management fee income	24,941	24,069
Air-conditioning charges income	15,463	16,532
Government grants (<i>note 1</i>)	–	9,148
Government grants – others (<i>note 2</i>)	18,730	6,183
Other income	14,222	13,317
Other interest income	8,847	1,376
	<u>82,203</u>	<u>70,625</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other net loss		
Income from sale of spare parts	852	1,595
Sundry income	745	655
Net profit on disposal of other financial assets designated at fair value through other comprehensive income (“FVOCI”) (recycling)	446	–
Net exchange gains/(losses)	116	(42)
Impairment loss on trade and other receivables reversed	139	–
Net loss on disposal of other property, plant and equipment	(2)	(2)
Change in fair value of other financial assets designated at fair value through profit or loss (“FVPL”)	(7,632)	(2,420)
	<u>(5,336)</u>	<u>(214)</u>

Note 1: 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.

Note 2: In 2021, the Group was qualified for the relief measures offered for the public transport sector and food and environment sector under the Anti-epidemic Fund set up by the Hong Kong Government amounting to HK\$16,646,000 and HK\$2,084,000 (2020: HK\$1,978,000 and HK\$4,205,000) respectively. The purpose of the funding is to provide financial support to franchised and licensed ferry operators, and licensed food and entertainment service providers who were adversely impacted by the COVID-19 pandemic.

5. PROFIT BEFORE TAXATION

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

(a) Staff costs:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plan	1,158	1,206
Contributions to defined contribution retirement plan	<u>2,309</u>	<u>2,322</u>
Total retirement costs	3,467	3,528
Salaries, wages and other benefits	<u>83,329</u>	<u>80,379</u>
	<u><u>86,796</u></u>	<u><u>83,907</u></u>

(b) Other items:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,369	1,369
Depreciation	7,805	7,621
Cost of inventories	5,869	3,916
Auditor's remuneration		
– audit services	1,802	1,811
– other services	355	355
Total minimum lease payments on short-term leases exempted from capitalisation under HKFRS 16		
– property rentals	–	235
Impairment losses on trade and other receivables	525	2,747
Rentals receivable from investment properties less direct outgoings of HK\$58,028,000 (2020: HK\$56,568,000) (<i>note</i>)	(47,870)	(46,585)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK\$1,170,000 (2020: HK\$1,175,000)	(6,264)	(6,938)
Interest income	(18,245)	(22,317)
Dividend income from other financial assets designated at FVPL	(3,388)	(3,548)
Dividend income from other financial assets designated at FVOCI	<u>(3,290)</u>	<u>(2,834)</u>

Note: Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK\$2,325,000 (2020: HK\$2,512,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	13,831	9,224
Over-provision in respect of prior years	<u>(60)</u>	<u>(96)</u>
	13,771	9,128
Deferred tax		
Origination and reversal of temporary differences	<u>6,583</u>	<u>3,934</u>
	<u>20,354</u>	<u>13,062</u>

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 2020.

The provision for Hong Kong Profits Tax for 2021 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020/21 subject to a maximum reduction of HK\$10,000 for each business (2020: a maximum reduction of HK\$20,000 was granted for the year of assessment 2019/20 and was taken into account in calculating the provision for 2020).

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 2021 and 2020.

7. DIVIDENDS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2020: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK15 cents (2020: HK15 cents) per ordinary share	<u>53,441</u>	<u>53,441</u>
	<u>89,068</u>	<u>89,068</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15 cents (2020: HK28 cents) per ordinary share	<u>53,441</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\$118,249,000 (2020: HK\$26,588,000) and 356,273,883 (2020: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2021 and 2020, therefore diluted earnings per share are the same as basic earnings per share for both years.

9. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK\$'000	HK\$'000
Trade receivables	155,826	197,929
Less: allowance for doubtful debts	(2,709)	(2,586)
	153,117	195,343
Other receivables and prepayments	47,172	46,049
Amounts due from joint ventures	35,773	27,715
	236,062	269,107

All of the trade and other receivables except for instalment receivables of HK\$104,715,000 (2020: HK\$124,318,000) 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\$48,804,000 (2020: HK\$61,335,000) which are unsecured, interest-free and are recoverable on demand.

The amounts due from joint ventures include a balance of HK\$25,996,000 (2020: HK\$26,492,000) which 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 2021 and 2020, the balance did not bear any interest. The remaining balance is unsecured, interest-free and is recoverable on demand.

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:

	2021	2020
	HK\$'000	HK\$'000
Current	132,747	155,879
1 to 3 months overdue	18,220	27,199
More than 3 months but less than 12 months overdue	2,033	12,043
More than 12 months overdue	117	222
	153,117	195,343

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted.

10. TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK\$16,527,000 (2020: HK\$12,632,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$34,965,000 (2020: HK\$44,327,000) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Due within 1 month or on demand	96,381	97,201
Due after 1 month but within 3 months	585	65
Due after 3 months but within 12 months	–	–
More than 12 months	1	1
	<u>96,967</u>	<u>97,267</u>

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2021 of HK15 cents per share (2020: HK15 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Tuesday, 31 May 2022, the final dividend will be paid on or about Friday, 17 June 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2022. 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 Thursday, 26 May 2022 to Tuesday, 31 May 2022 (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 Wednesday, 25 May 2022.

In addition, the Register of Members of the Company will be closed on Tuesday, 7 June 2022 and Wednesday, 8 June 2022, 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, 6 June 2022.

BUSINESS REVIEW

Hong Kong economy once experienced a recovery during 2021 and expanded by 6.4%, as the pandemic was temporarily under control in the second half of 2021. Private consumption expenditure increased by 5.6% from 2020, although the economic recovery was uneven, with its size and overall economic activity below the level prior to coronavirus pandemic.

Mr. Gabriel Lee joined the Group as Group General Manager in October 2021. Mr. Lee has experience in the healthcare, transportation and customer service industries for over 20 years. In addition to his association with multinational enterprises, Mr. Lee also demonstrated comprehensive capabilities in leading and managing a medical enterprise through its rapid growth. The Board of Directors strongly believes that Mr. Lee will successfully lead the Group in its diversification into new businesses, including quality medical aesthetic services.

During the year under review, the Group's profit was mainly derived from the rental income from shops and commercial arcades and the valuation gains on the Group's investment properties.

Property Development and Investment Operations

During 2021, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK\$106 million. The commercial arcade of Metro6 was fully let as at 31 December 2021. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 97% and 89% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 84% and 99% respectively.

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

The Group's 50%/50% development joint venture with the Empire Group at The Royale, 8 Castle Peak Road, Castle Peak Bay, Tuen Mun (formerly known as Tuen Mun Town Lot No. 547), since the commencement of the sale of Phase 1 - "Seacoast Royale", Phase 2 - "Starfront Royale" and Phase 3 - "Skypoint Royale", 1,745 residential units had been sold, amounting to approximately 98% of the total units. The total sales considerations are approximately HK\$8,600 million with an average selling price of saleable floor area in excess of HK\$15,400 per square foot.

The gross floor area of the site area is approximately 663,000 square feet. The occupation permit has been obtained in January 2022 and the project is expected to be delivered to the buyers by phases in mid-2022 and revenue from property sales will be recognised accordingly.

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

In June 2018, the Group was awarded the redevelopment contract for the Kweilin Street/Tung Chau Street project in Sham Shui Po by the Urban Renewal Authority. Upon development, the Group will be entitled to the residential gross floor area of about 97,845 square feet. The superstructure works were in progress and the project is expected to be completed in the first quarter of 2024.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a profit of HK\$8.6 million as compared with the loss of HK\$17.9 million in 2020. The improvement of business results was mainly attributable to the increase in revenue from shipyard operation and the subsidy of repair and maintenance costs received from the Government for ferry operation.

Securities Investment

During the year under review, a deficit of HK\$0.8 million in Securities Investment was recorded mainly due to the fair value change of certain financial assets during the year under review.

FINANCIAL REVIEW

Impact of COVID-19 Pandemic

The outbreak of COVID-19 since January 2020 continued to have significant impact on the business operations of the Group and in particular, Harbour Cruise - Bauhinia.

Review of Results

The Group's revenue for the year amounted to approximately HK\$244 million, representing an increase of 17% when compared with the previous year. This was mainly attributable to the increase of revenue from shipyard operation.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2021, shareholders' funds of the Group showed a slight increase of around 0.5% as compared to the previous year and amounted to approximately HK\$6,005 million. The increase was mainly due to the net effect of the profit realised from property sale and leasing, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the property leasing and other operations.

Current assets of the Group were recorded at approximately HK\$3,282 million and the current liabilities were approximately HK\$185 million as of 31 December 2021. Current ratio of the Group had been increased to 17.8 as at 31 December 2021, mainly attributed to the increase in cash and bank balances.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2021, 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 2021, the number of employees of the Group stood at about 200 (2020: about 200). Total employees' costs for the year amounted to approximately HK\$87 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

With the outbreak of the military conflict in Europe last month, the global stock markets reacted negatively and the investment environments turned gloomy. The United States and Europe imposed sanctions against Russia, whilst various multinational enterprises suspended their operations in Russia. The global trades and economy have been disrupted.

Hong Kong saw its outbreak of the 5th wave pandemic since two months ago. The tightening of the social distancing measures and the closing of certain premises by the government reduced consumers' consumption, leading to the winding up of some restaurants and retail shops. In the 2022/23 Budget, the Financial Secretary proposed a new legislation forbidding landlords from taking legal actions to recover rentals from tenants affected by the 5th wave pandemic. Such measures may have a temporary impact on the Group's rental income. A new round of electronic consumption vouchers was introduced in the Budget to stimulate public consumption and together with the Anti-epidemic Funds relief measures, will help the local economy. In addition, the government has relaxed the cap on the value of properties eligible for mortgage loans by HKMC Insurance Limited for first-time home buyers in order to assist households to purchase flats, which will be beneficial to the property market.

The Central Government has taken solid actions to strongly back up and support Hong Kong in its fight against the epidemic. In addition to the sending of the expert team and medical professionals to Hong Kong, it also assisted in the construction of the community isolation facility. The San Tin makeshift hospital, which provides up to 2,800 isolation units, was officially completed on 9 March 2022 after an uninterrupted construction in more than a week's time. Recently, anti-epidemic materials from the mainland arrived in Hong Kong successively, providing sufficient and stable supplies of fresh food and daily necessities to the residents.

Amid the prolonged coronavirus pandemic, Hong Kong citizens paid more attention to their health and well-being. The private health expenditure of Hong Kong in 2019/20 amounted to HK\$88.1 billion and was expected to further increase. The rising focus among individuals on their appearance and body health will raise the demand for minimal invasive aesthetic procedures. Coupled with the pursuit of innovative technology by the young people, the size of the minimal invasive medical aesthetic market will continue to increase in future. The Group is strategizing to provide quality services via business co-operation and direct investment in order to capture the expected consumer demand in the medical aesthetic market.

The Group has planned to establish a medical aesthetic clinic and premium beauty service centre with over 10,000 square feet of floor area at Tsim Sha Tsui in mid-2022. This centre will provide services such as contouring, firming, lifting, whitening and anti-aging, improvement to skin conditions and contouring management services in conjunction with devices and drugs certified by the United States Food and Drug Administration and the European Union. Such services will be carried out by licensed and registered practitioners. The Group expects to invest HK\$40 million in 2022 and will further invest in multiple sums in the coming years.

PROSPECTS (Continued)

The Kweilin Street/Tung Chau Street project is expected to be completed in the first quarter of 2024. The revenue from property sales of the development project “The Royale” will be booked upon the delivery of possessions to buyers. Barring any unforeseen circumstances, the Group is expected to achieve a favorable result for the year of 2022. In celebration of the upcoming 100th anniversary of the Group, the Board of Directors has decided to recommend the payment of a special dividend of HK\$1 per share next year to the shareholders and the date of payment will be announced in conjunction with the announcement of the 2022 annual results in 2023.

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 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2021 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 2021 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 2021 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 2021.

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 2021 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 2022

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.