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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)

2022 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

During the year under review, the Group's consolidated profit after taxation for the year ended 31 December 2022 increased by approximately 999% to approximately HK\$1,299 million as compared with the same period of 2021. The significant increase in profit was mainly attributable to the recognition of our share of revenue from the sale of the residential units under the joint venture development project known as "The Royale" (in which the Group has a 50% equity interest) during the year after the delivery of the residential units to the buyers. Earnings per share for the year was HK\$3.65 (2021: HK\$0.33).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	3(a)	280,632	244,197
Direct costs		<u>(179,774)</u>	<u>(164,622)</u>
		100,858	79,575
Other revenue	3(a) & 4	150,482	82,203
Other net loss	4	(19,557)	(5,336)
Valuation gains on investment properties	3(d)	20,365	75,621
Selling and marketing expenses		(7,453)	(5,004)
Administrative expenses		(62,835)	(52,405)
Other operating expenses		<u>(5,515)</u>	<u>(4,709)</u>
Profit from operations	3(b)	176,345	169,945
Interest on lease liabilities		(249)	(122)
Share of profits less losses of associates		1,119	1,184
Share of profits/(losses) of joint ventures		<u>1,178,702</u>	<u>(32,404)</u>
Profit before taxation	5	1,355,917	138,603
Taxation	6	<u>(56,781)</u>	<u>(20,354)</u>
Profit attributable to equity shareholders of the Company		<u>1,299,136</u>	<u>118,249</u>
Earnings per share			
– Basic and diluted	8	<u>\$3.65</u>	<u>\$0.33</u>

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 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit attributable to equity shareholders of the Company	<u>1,299,136</u>	<u>118,249</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	3,362	2,157
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	309	1,341
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>–</u>	<u>(458)</u>
Other comprehensive income for the year	<u>3,671</u>	<u>3,040</u>
Total comprehensive income attributable to equity shareholders of the Company	<u><u>1,302,807</u></u>	<u><u>121,289</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022		2021	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			2,342,305		2,258,005
Other property, plant and equipment			79,680		51,994
Interest in leasehold land			33,555		34,924
			<u>2,455,540</u>		<u>2,344,923</u>
Interest in associates			7,157		7,640
Interest in joint ventures			946,555		495,353
Other financial assets			112,829		135,577
Other receivables and prepayments	9(a)		98,855		104,715
Net employee retirement benefits assets			212		–
Deferred tax assets			6,358		3,526
			<u>3,627,506</u>		<u>3,091,734</u>
Current assets					
Inventories		1,691,232		1,340,088	
Trade and other receivables	9(b)	242,415		131,347	
Tax recoverable		742		23,030	
Cash and bank balances		1,972,726		1,683,031	
			<u>3,907,115</u>		<u>3,177,496</u>
Current liabilities					
Trade and other payables	10	183,927		163,882	
Lease liabilities		8,400		2,121	
Bank overdrafts		701		–	
Tax payable		37,905		18,909	
			<u>230,933</u>		<u>184,912</u>
Net current assets			<u>3,676,182</u>		<u>2,992,584</u>
Total assets less current liabilities			7,303,688		6,084,318
Non-current liabilities					
Net employee retirement benefits liabilities		–		2,720	
Lease liabilities		9,224		2,053	
Deferred tax liabilities		76,207	85,431	75,027	79,800
NET ASSETS			<u>7,218,257</u>		<u>6,004,518</u>
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			5,463,456		4,249,717
TOTAL EQUITY			<u>7,218,257</u>		<u>6,004,518</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 2022 and 2021 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 2021 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 2022 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on the financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

3. SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

- Property development: development and sale of properties.
- Property investment: rental income from leasing of properties.
- Ferry, shipyard and related operations: income from operation of dangerous goods vehicular ferry service and ship repairs and maintenance services and sales of goods on cruise vessels.
- Securities investment: dividend, interest and other income from listed securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as substantially all of the Group's revenue and profit from operations were derived from activities in Hong Kong.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

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

3. SEGMENT INFORMATION (Continued)

Segment results (Continued)

The segment information for the years ended 31 December 2022 and 2021 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Property development	27,634	12,232	–	–	27,634	12,232
Property investment	160,034	147,200	–	–	160,034	147,200
Ferry, shipyard and related operations	123,434	142,971	1,195	1,208	122,239	141,763
Securities investment	6,596	6,922	–	–	6,596	6,922
Others	143,738	83,249	29,127	64,966	114,611	18,283
	461,436	392,574	30,322	66,174	431,114	326,400

Analysed by:

Revenue	280,632	244,197
Other revenue	150,482	82,203
	431,114	326,400

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.

(b) Segment result

	Reportable segment profit/(loss)	
	2022 HK\$'000	2021 HK\$'000
Property development	16,482	3,657
Property investment (note 3(d))	98,928	148,036
Ferry, shipyard and related operations	(5,414)	8,560
Securities investment	(16,917)	(804)
	93,079	159,449
Others (note 3(e))	83,266	10,496
	176,345	169,945

3. SEGMENT INFORMATION (Continued)

Segment results (Continued)

(c) Reconciliation of reportable segment profit

	Reportable segment profit/(loss)	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	93,079	159,449
Other profit derived from external customers	83,266	10,496
Interest on lease liabilities	(249)	(122)
Share of profits/(losses) of associates and joint ventures (<i>net</i>)	<u>1,179,821</u>	<u>(31,220)</u>
Profit before taxation in the consolidated statement of profit or loss	<u><u>1,355,917</u></u>	<u><u>138,603</u></u>

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$20,365,000 (2021: HK\$75,621,000).

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

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	1,175	–	–	–	–	–
Property investment	–	–	–	4	70,135	9,414
Ferry, shipyard and related operations	8,599	8,656	–	382	2,601	7,362
Others	<u>6,103</u>	<u>518</u>	<u>–</u>	<u>–</u>	<u>21,742</u>	<u>360</u>
	<u><u>15,877</u></u>	<u><u>9,174</u></u>	<u><u>–</u></u>	<u><u>386</u></u>	<u><u>94,478</u></u>	<u><u>17,136</u></u>

4. OTHER REVENUE AND NET LOSS

	2022	2021
	HK\$'000	HK\$'000
Other revenue		
Other interest income	79,400	8,847
Management fee income	27,161	24,941
Air-conditioning charges income	17,694	15,463
Other income	15,985	14,222
Government grants (<i>note 1</i>)	4,361	–
Government grants – others (<i>note 2</i>)	<u>5,881</u>	<u>18,730</u>
	<u><u>150,482</u></u>	<u><u>82,203</u></u>

4. OTHER REVENUE AND NET LOSS (Continued)

	2022 HK\$'000	2021 HK\$'000
Other net loss		
Income from sale of spare parts	2,667	852
Sundry income	828	745
Net exchange gains	7	116
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")	(23,057)	(7,632)
Net profit on disposal of other financial assets designated at fair value through other comprehensive income ("FVOCI") (recycling)	–	446
Impairment loss on trade and other receivables reversed	–	139
	<u>(19,557)</u>	<u>(5,336)</u>

Note 1: In 2022, 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 2022, the Group was qualified for the relief measures offered for the public transport sector, food and environment sector and other sectors under the Anti-epidemic Fund set up by the Hong Kong Government amounting to HK\$2,592,000, HK\$3,150,000 and HK\$139,000 (2021: HK\$16,646,000, HK\$2,084,000 and Nil) respectively. The purpose of the funding is to provide financial support to franchised and licensed ferry and shipyard operators, licensed food and entertainment service providers, and eligible applicants under other sectors 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:**

	2022 HK\$'000	2021 HK\$'000
Expense recognised in respect of defined benefit retirement plan	682	1,158
Contributions to defined contribution retirement plan	<u>3,010</u>	<u>2,309</u>
Total retirement costs	3,692	3,467
Salaries, wages and other benefits	<u>94,965</u>	<u>83,329</u>
	<u>98,657</u>	<u>86,796</u>

5. PROFIT BEFORE TAXATION (Continued)

(b) Other items:

	2022 HK\$'000	2021 HK\$'000
Amortisation of leasehold land premium	1,369	1,369
Depreciation	14,508	7,805
Cost of inventories	8,511	5,869
Auditor's remuneration		
– audit services	1,868	1,802
– other services	366	355
Impairment losses on trade and other receivables	–	525
Rentals receivable from investment properties less direct outgoings of HK\$62,080,000 (2021: HK\$58,028,000) (note)	(51,305)	(47,870)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK\$1,232,000 (2021: HK\$1,170,000)	(5,689)	(6,264)
Interest income	(110,569)	(18,245)
Dividend income from other financial assets designated at FVPL	(3,328)	(3,388)
Dividend income from other financial assets designated at FVOCI	(3,268)	(3,290)
	<u> </u>	<u> </u>

Note: Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK\$2,449,000 (2021: HK\$2,325,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2022 HK\$'000	2021 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	28,468	13,831
Provision for the claims (note)	30,040	–
Over-provision in respect of prior years	(75)	(60)
	<u> </u>	<u> </u>
	58,433	13,771
Deferred tax		
Origination and reversal of temporary differences	(1,652)	6,583
	<u> </u>	<u> </u>
	56,781	20,354
	<u> </u>	<u> </u>

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 2021.

The provision for Hong Kong Profits Tax for 2022 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021/22 subject to a maximum reduction of HK\$10,000 for each business (2021: a maximum reduction of HK\$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

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

Note: 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 (the “claims”). Notices of objection were filed with the IRD by the subsidiary. In February 2017 and March 2022, the IRD further raised additional profits tax assessments covering the years of assessment from 2010/11 to 2014/15 and 2015/16 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. In August 2022, IRD issued a determination regarding previous objections and continued to disallow the claims. In September 2022, the subsidiary filed a notice of appeal to the Board of Review and the hearing of the appeal is scheduled in December 2023. As at 31 December 2022, the Group made a provision of HK\$30,040,000 representing the maximum tax effect arising from the total capital expenditure claimed by the subsidiary.

7. DIVIDENDS

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

	2022 HK\$’000	2021 HK\$’000
Interim dividend declared and paid of HK10 cents (2021: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK15 cents (2021: HK15 cents) per ordinary share	53,441	53,441
Special dividend proposed after the end of the reporting period of HK\$1.00 (2021: Nil) per ordinary share	356,274	–
	<u>445,342</u>	<u>89,068</u>

The final and special dividends proposed after the end of the reporting period have 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

	2022 HK\$’000	2021 HK\$’000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15 cents (2021: HK15 cents) per ordinary share	53,441	53,441

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\$1,299,136,000 (2021: HK\$118,249,000) and 356,273,883 (2021: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2022 and 2021, therefore diluted earnings per share are the same as basic earnings per share for both years.

9. TRADE AND OTHER RECEIVABLES

(a) Non-current

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Instalment receivables	96,374	104,715
Other receivables and prepayments	<u>2,481</u>	<u>–</u>
	<u>98,855</u>	<u>104,715</u>

Instalment receivables represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included under non-current assets is not past due. Instalment receivables due within one year from the end of the reporting period are included in “Trade and other receivables” under current assets.

(b) Current

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	53,880	47,080
Instalment receivables	2,613	4,031
Less: loss allowance	<u>(2,709)</u>	<u>(2,709)</u>
	53,784	48,402
Other receivables and prepayments	73,119	47,172
Amounts due from joint ventures	<u>115,512</u>	<u>35,773</u>
	<u>242,415</u>	<u>131,347</u>

All of the trade and other receivables 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\$54,336,000 (2021: HK\$48,804,000) which are unsecured, interest-free and are recoverable on demand. Related companies are companies under control of a company which has significant influence on the Group.

As at 31 December 2021, the amounts due from joint ventures include a balance of HK\$25,996,000 which is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner annually and is recoverable on demand. The remaining balance is unsecured, interest-free and is recoverable on demand.

The balance as at 31 December 2022 is unsecured, interest-free and is recoverable on demand.

9. TRADE AND OTHER RECEIVABLES (Continued)

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current	27,633	28,032
1 to 3 months overdue	24,198	18,220
More than 3 months but less than 12 months overdue	1,845	2,033
More than 12 months overdue	<u>108</u>	<u>117</u>
	<u>53,784</u>	<u>48,402</u>

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

10. TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK\$16,172,000 (2021: HK\$16,527,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$40,270,000 (2021: HK\$34,965,000) which are unsecured, interest-free and repayable within 30–45 days or repayable on demand. Related companies are companies under control of a company/person which has significant influence on the Group.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due within 1 month or on demand	115,129	96,381
Due after 1 month but within 3 months	766	585
Due after 3 months but within 12 months	–	–
More than 12 months	<u>2</u>	<u>1</u>
	<u>115,897</u>	<u>96,967</u>

DIVIDENDS

The Board of Directors (the “Board”) has recommended the payment of a final dividend for the year ended 31 December 2022 of HK15 cents per share (2021: HK15 cents per share). In celebration of the 100th anniversary of the Company this year, the Board further recommended the payment of a special dividend for the year ended 31 December 2022 of HK\$1.00 per share (2021: Nil). Subject to shareholders’ approval at the annual general meeting to be held on Wednesday, 31 May 2023, the final dividend and the special dividend will be paid on Friday, 23 June 2023 to shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023. The final dividend and the special dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK\$1.25 for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 24 May 2023.

In addition, the Register of Members of the Company will be closed on Wednesday, 7 June 2023 and Thursday, 8 June 2023, during which period no requests for transfer of shares will be accepted. In order to qualify for the proposed final dividend and special 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 6 June 2023.

BUSINESS REVIEW

During the year under review, apart from the said share of profit from the joint venture development project “The Royale”, the Group’s operating profit was mainly derived from the rental income from shops and commercial arcades.

Property Development and Investment Operations

In 2022, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK\$113 million. As at 31 December 2022, the commercial arcades of Shining Heights and Metro6 were fully let. The occupancy rate of the commercial arcade of The Spectacle was 89%. The occupancy rate of commercial arcades of Metro Harbour View and Green Code Plaza were 93% and 98% respectively.

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

After the Group’s 50%/50% joint venture development project with the Empire Group at The Royale, 8 Castle Peak Road - Castle Peak Bay, Tuen Mun, obtained the Certificate of Compliance in August 2022, the 1,738 residential units sold had been delivered to buyers and revenue from such property sales was recognised in the Group’s accounts.

BUSINESS REVIEW (Continued)

The Symphonie (280 Tung Chau Street, Cheung Sha Wan) (formerly known as Kweilin Street/Tung Chau Street, Sham Shui Po) Redevelopment Project

The Group's development project "The Symphonie" in Cheung Sha Wan will provide the Group with residential gross floor area of about 100,698 square feet after the redevelopment. The superstructure works were completed and interior fitting-out works were in progress. The project is expected to be completed in early 2024.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a deficit of HK\$5.4 million as compared with the profit of HK\$8.6 million in 2021. The decrease in business results was mainly attributable to the absence of the repair and maintenance subsidy from the Government for ferry operation during the year.

Securities Investment

During the year under review, a deficit of HK\$16.9 million in Securities Investment was recorded due to the fair value change of certain financial assets upon the decline in stock market.

Healthcare, Medical Aesthetic and Beauty Services

There is huge development potential for healthcare services in Hong Kong. Private healthcare expenditure in Hong Kong reached HK\$88.1 billion in 2019/20 and was expected to increase in the future. During the year, the Group embarked on related businesses to provide various high quality medical services to customers. The Group also embarked on medical aesthetic business, and further provided customers with medical specialist, healthcare and beauty services.

AMOUR medical aesthetic clinic and premium beauty service centre, located in Mira Place, Tsim Sha Tsui, and with a gross floor area of about 12,000 square feet, were officially opened in August last year. Staffed by registered doctors, the said clinic and centre are equipped with devices and drugs certified by the European Union and the United States Food and Drug Administration and pharmaceutical companies, offering high-quality and personalized medical aesthetic services.

The Group has captured market share through cooperation with medical groups. The Group cooperated with ICON, an international cancer care medical group, to set up a cancer centre at H Zentre in Tsim Sha Tsui in October 2022, with experienced doctors and medical professionals offering safe, comprehensive and professional treatment for patients with different types of cancer. The Group is now expanding into the area of medical specialties with establishment of the Total HealthCare Specialists Centre, set up at the end of 2022. The centre is also located in H Zentre, Tsim Sha Tsui, to leverage on the other medical disciplines being offered by other medical institutions within our ecosystem to offer professional medical services in accordance with the customers' needs.

FINANCIAL REVIEW

Review of Results

The Group's revenue for the year amounted to approximately HK\$281 million, representing an increase of 15% when compared with the previous year. This was mainly attributable to the increase of revenue from property sales, leasing and interest income.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2022, shareholders' funds of the Group showed an increase of around 20% as compared to the previous year and amounted to approximately HK\$7,218 million. The increase was mainly due to the net effect of the profit realised from property sales and leasing, share of profits of joint ventures and the deduction of the dividend payments.

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 sales, leasing and other operations.

Current assets of the Group were recorded at approximately HK\$3,907 million and the current liabilities were approximately HK\$231 million as of 31 December 2022. Current ratio of the Group had been decreased to 16.9 as at 31 December 2022, mainly attributed to the increase in trade and other payables and tax payable.

Gearing Ratio and Financial Management

The Group is in net cash position, therefore gearing ratio, calculated on the basis of net debt to equity attributable to the Company's shareholders, is not applicable.

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 2022, the number of employees of the Group stood at about 250 (2021: about 200). Total employees' costs for the year amounted to approximately HK\$99 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

Inflation rate in the United States stays high. The US Federal Reserve has consecutively raised the target range for federal funds rate by 4.5% to the current range of 4.5% to 4.75% in the past 12 months and indicated recently that the interest rate has not yet reached its peak. However, the collapse of the insolvent Silicon Valley Bank in California earlier this month and the possession of this bank by the US Government cast doubt over the US economic outlook, and may affect the pace of interest rate hikes by the Federal Reserve. In Hong Kong, the Hong Kong Dollar prime rate has been raised alongside the US interest rate but fortunately to a lesser extent, due to ample bank liquidity. The borrowing costs of business entities have nonetheless increased.

PROSPECTS (Continued)

With the easing of the COVID-19 pandemic, the cross-border with the mainland was completely re-opened on 6 February 2023. Quarantine-free travel for inbound travellers, the gradual increase in the number of visitors from the mainland and overseas, and the lifting of mask mandate by the Government with effect from 1 March 2023 are all expected to boost the local consumption and help the economic recovery.

Hong Kong has the distinctive advantages of enjoying strong support of the Motherland and close connection to the world. The Government spares no effort in revitalizing the economy, attracting talents and promoting Hong Kong's competitive advantages, and takes measures on all fronts to "advance from stability to prosperity". Hong Kong's Chief Executive, in his 2022 Policy Address, emphasized improving Hong Kong's competitiveness and sets aside HK\$30 billion to establish the "Co-Investment Fund" to attract corporate investment. Given the opportunities brought about by the Belt and Road Initiative, Hong Kong will focus on establishing governance systems, reinforcing traditional industries and developing emerging industries, and will strengthen the connection with the world and the Greater Bay Area. Special attention will be paid to foster greater flow of people, goods, capital and information in the Greater Bay Area, and to explore emerging markets such as the Association of Southeast Asian Nations, the Middle East, Central Asia and Africa. The Government aims to develop Hong Kong as the hub for innovative technology, art/culture and finance/trade. To stimulate the local consumption and to help economic recovery, the Government has announced property rates concession, profits tax reduction, the grant of electricity charges subsidy, as well as the disbursement of consumption vouchers of HK\$5,000 to Hong Kong eligible residents by phases starting from April. It is expected that Hong Kong's economy will recover in 2023 and the city will speedily exercise its role as an international financial centre and gateway to Mainland China.

This year marks the 100th anniversary of the Company. In addition to the distribution of a special dividend of HK\$1 per share to its shareholders, the Company will also give commemorative gold coins of half a tael each to the employees of the Group. The Group will also organize various celebration activities, including the 100th anniversary celebration ceremony in late April, an invitation for mentees and mentors of the Strive and Rise Programme to enjoy the Harbour Cruise-Bauhinia trip, and gift of souvenirs to business partners.

Following the recognition of the revenue from the sale of the residential units of "The Royale" in 2022, the rental income from shops and commercial arcades will be the major source of revenue of the Group in 2023. The Group will continue to look for suitable shops for investment and construction sites for development.

CORPORATE GOVERNANCE

The Company is committed to maintaining 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 as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2022 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 2022 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 2022 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 of the Company. Having made specific enquiries, the Company confirmed that all directors of the Company had complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

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.

ACKNOWLEDGEMENT

Mr. Lee Gabriel, the Group General Manager of the Company, has been appointed as an Executive Director of the Company with effect from 3 January 2023. Mr. Ronald Chan Wai Yan, experienced investment manager, will also be appointed as an Independent Non-Executive Director of the Company and a member of the Audit Committee of the Company with effect from 20 March 2023. The Board would like to extend a warm welcome to Mr. Lee and Mr. Chan on joining the Board and is confident that Mr. Lee, with his rich experience in healthcare, medical aesthetic and customer services, and Mr. Chan, with his rich experience in investment and management, will make significant contributions to the Group.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.hkf.com) and HKEXnews website (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company 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, 17 March 2023

As at the date of this announcement, the executive directors of the Company are Dr. Lam Ko Yin, Colin (Chairman), Mr. Li Ning and Mr. Lee Gabriel; 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.