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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)

2023 RESULTS ANNOUNCEMENT

BUSINESS RESULTS

During the year under review, the Group's consolidated profit after taxation for the year ended 31 December 2023 decreased by approximately 86% to approximately HK\$186 million as compared with the same period of 2022. The decrease in profit was mainly due to the revenue from the sale of the residential units under the joint venture development project known as "The Royale" being recognised by the Group in 2022. The revenue for the year was mainly derived from the rental income from shops and commercial arcades as well as interest income from banks. Earnings per share for the year were HK\$0.53 (2022: HK\$3.65).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	3(a)	374,605	280,632
Direct costs		<u>(234,115)</u>	<u>(179,774)</u>
		140,490	100,858
Other revenue	3(a) & 4	83,723	150,482
Other net loss	4	(902)	(19,557)
Valuation gains on investment properties	3(d)	42,339	20,365
Selling and marketing expenses		(12,736)	(7,453)
Administrative expenses		(74,998)	(62,835)
Other operating expenses		<u>(3,591)</u>	<u>(5,515)</u>
Profit from operations	3(b)	174,325	176,345
Interest on lease liabilities		(265)	(249)
Share of profits less losses of associates		746	1,119
Share of profits less losses of joint ventures		<u>31,830</u>	<u>1,178,702</u>
Profit before taxation	5	206,636	1,355,917
Taxation	6	<u>(20,770)</u>	<u>(56,781)</u>
Profit for the year		<u>185,866</u>	<u>1,299,136</u>
Attributable to:			
Equity shareholders of the Company		190,393	1,299,136
Non-controlling interests		<u>(4,527)</u>	<u>—</u>
Profit for the year		<u>185,866</u>	<u>1,299,136</u>
Earnings per share			
– Basic and diluted	8	<u>\$0.53</u>	<u>\$3.65</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 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year	<u>185,866</u>	<u>1,299,136</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 assets	(2,901)	3,362
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	<u>2,760</u>	<u>309</u>
	<u>(141)</u>	<u>3,671</u>
Total comprehensive income for the year	<u><u>185,725</u></u>	<u><u>1,302,807</u></u>
Attributable to:		
Equity shareholders of the Company	190,252	1,302,807
Non-controlling interests	<u>(4,527)</u>	<u>–</u>
Total comprehensive income for the year	<u><u>185,725</u></u>	<u><u>1,302,807</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		2023		2022	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			2,488,690		2,342,305
Other property, plant and equipment			65,647		79,680
Interest in leasehold land			32,186		33,555
			<u>2,586,523</u>		<u>2,455,540</u>
Interest in associates			6,370		7,157
Interest in joint ventures			700,385		946,555
Other financial assets			107,189		112,829
Other receivables and prepayments	9(a)		90,970		98,855
Net employee retirement benefits assets			2,100		212
Deferred tax assets			3,513		6,358
			<u>3,497,050</u>		<u>3,627,506</u>
Current assets					
Inventories		1,802,140		1,691,232	
Trade and other receivables	9(b)	164,130		242,415	
Tax recoverable		517		742	
Cash and bank balances		1,825,434		1,972,726	
			<u>3,792,221</u>		<u>3,907,115</u>
Current liabilities					
Trade and other payables	10	(212,823)		(183,927)	
Long service payment liabilities		(1,152)		–	
Lease liabilities		(6,883)		(8,400)	
Bank overdrafts		–		(701)	
Tax payable		(19,868)		(37,905)	
			<u>(240,726)</u>		<u>(230,933)</u>
Net current assets			<u>3,551,495</u>		<u>3,676,182</u>
Total assets less current liabilities			<u>7,048,545</u>		<u>7,303,688</u>
Non-current liabilities					
Lease liabilities		(2,879)		(9,224)	
Deferred tax liabilities		(81,026)	(83,905)	(76,207)	(85,431)
NET ASSETS			<u>6,964,640</u>		<u>7,218,257</u>
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			5,215,776		5,463,456
Total equity attributable to equity shareholders of the Company			<u>6,970,577</u>		<u>7,218,257</u>
Non-controlling interests			<u>(5,937)</u>		<u>–</u>
TOTAL EQUITY			<u>6,964,640</u>		<u>7,218,257</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”) 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 2023 and 2022 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 2022 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 2023 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

(a) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to the financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior years have been prepared or presented in the financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The abolition of the offsetting mechanism did not have a material impact on the Group’s profit or loss for the year ended 31 December 2022 and the Group’s and the Company’s financial position as at 31 December 2022. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively.

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 five 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.
- Healthcare, medical aesthetic and beauty services: income from provision of healthcare, medical aesthetic and beauty services.
- 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.

3. SEGMENT INFORMATION (Continued)

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 2023 and 2022 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	–	27,634	–	–	–	27,634
Property investment	170,149	160,034	–	–	170,149	160,034
Ferry, shipyard and related operations	166,040	123,434	1,417	1,195	164,623	122,239
Healthcare, medical aesthetic and beauty services	14,078	1,416	295	1	13,783	1,415
Securities investment	6,548	6,596	–	–	6,548	6,596
Others	114,038	142,322	10,813	29,126	103,225	113,196
	<u>470,853</u>	<u>461,436</u>	<u>12,525</u>	<u>30,322</u>	<u>458,328</u>	<u>431,114</u>
Analysed by:						
Revenue					374,605	280,632
Other revenue					83,723	150,482
					<u>458,328</u>	<u>431,114</u>

The principal activities of the Group are property development, property investment, ferry, shipyard and related operations, healthcare, medical aesthetic and beauty services 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)	
	2023	2022
	HK\$'000	HK\$'000
Property development	(715)	16,482
Property investment (note 3(d))	123,694	98,928
Ferry, shipyard and related operations	(7,643)	(5,414)
Healthcare, medical aesthetic and beauty services	(37,842)	(18,119)
Securities investment	(2,254)	(16,917)
	<u>75,240</u>	<u>74,960</u>
Others (note 3(e))	<u>99,085</u>	<u>101,385</u>
	<u>174,325</u>	<u>176,345</u>

(c) Reconciliation of reportable segment profit

	2023	2022
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	75,240	74,960
Other profit derived from external customers	99,085	101,385
Interest on lease liabilities	(265)	(249)
Share of profits of associates and joint ventures (net)	<u>32,576</u>	<u>1,179,821</u>
Profit before taxation in the consolidated statement of profit or loss	<u>206,636</u>	<u>1,355,917</u>

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$42,339,000 (2022: HK\$20,365,000).

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

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	1,007	1,175	–	–	–	–
Property investment	–	–	98	–	105,307	70,135
Ferry, shipyard and related operations	8,204	8,599	–	–	1,107	2,601
Healthcare, medical aesthetic and beauty services	9,786	5,585	–	–	667	20,890
Others	<u>612</u>	<u>518</u>	<u>–</u>	<u>–</u>	<u>1,870</u>	<u>852</u>
	<u>19,609</u>	<u>15,877</u>	<u>98</u>	<u>–</u>	<u>108,951</u>	<u>94,478</u>

4. OTHER REVENUE AND NET LOSS

	2023 HK\$'000	2022 HK\$'000
Other revenue		
Management fee income	28,282	27,161
Other income	21,224	15,985
Air-conditioning charges income	18,510	17,694
Other interest income	10,296	79,400
Government grants (<i>note 1</i>)	–	4,361
Government grants – others (<i>note 2</i>)	5,411	5,881
	<u>83,723</u>	<u>150,482</u>
Other net loss		
Construction cost adjustment (<i>note 3</i>)	5,239	–
Income from sale of spare parts	887	2,667
Sundry income	840	828
Gain on lease modifications	494	–
Impairment loss on trade and other receivables reversed	58	–
Net profit/(loss) on disposal of other property, plant and equipment	2	(2)
Net exchange (losses)/gains	(22)	7
Change in fair value of other financial assets designated at fair value through profit or loss (“FVPL”)	(8,400)	(23,057)
	<u>(902)</u>	<u>(19,557)</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 Government. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Note 2: In 2023 and 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 Government amounting to HK\$5,300,000, HK\$Nil and HK\$111,000 (2022: HK\$2,592,000, HK\$3,150,000 and HK\$139,000) 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.

Note 3: During the year ended 31 December 2023, construction cost adjustment represents the revision of the original construction costs of the properties completed in prior years, confirmed by the surveyors.

5. PROFIT BEFORE TAXATION

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

(a) Staff costs:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Expense recognised in respect of defined benefit retirement plans:		
– Occupational Retirement Schemes Ordinance plans	563	682
– Long service payments	1,152	–
Contributions to defined contribution retirement plan	<u>3,574</u>	<u>3,010</u>
Total retirement costs	5,289	3,692
Salaries, wages and other benefits	<u>124,259</u>	<u>94,965</u>
	<u><u>129,548</u></u>	<u><u>98,657</u></u>

(b) Other items:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amortisation of leasehold land premium	1,369	1,369
Depreciation	18,240	14,508
Cost of inventories	10,136	8,511
Auditor's remuneration		
– audit services	1,986	1,868
– other services	366	366
Impairment losses on trade and other receivables	98	–
Rentals receivable from investment properties less direct outgoings of HK\$62,264,000 (2022: HK\$62,080,000) (<i>note</i>)	(59,431)	(51,305)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK\$706,000 (2022: HK\$1,232,000)	(7,029)	(5,689)
Interest income	(99,096)	(110,569)
Dividend income from other financial assets designated at FVPL	(3,348)	(3,328)
Dividend income from other financial assets designated at fair value through other comprehensive income	<u>(3,200)</u>	<u>(3,268)</u>

Note: Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK\$2,479,000 (2022: HK\$2,449,000).

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

Taxation in the consolidated statement of profit or loss represents:

	2023 HK\$'000	2022 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	12,361	29,726
Provision for the claims (<i>note</i>)	119	28,782
Under/(over)-provision in respect of prior years	<u>626</u>	<u>(75)</u>
	13,106	58,433
Deferred tax		
Origination and reversal of temporary differences	<u>7,664</u>	<u>(1,652)</u>
	<u>20,770</u>	<u>56,781</u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022.

The provision for Hong Kong Profits Tax for 2023 takes into account a reduction granted by the Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HK\$6,000 for each business (2022: a maximum reduction of HK\$10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

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 rescheduled to July 2024. During the year ended 31 December 2023, the Group made an additional provision of HK\$119,000 for the claims.

7. DIVIDENDS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents (2022: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK15 cents (2022: HK15 cents) per ordinary share	53,441	53,441
Special dividend proposed after the end of the reporting period of HK\$Nil (2022: HK\$1.00) per ordinary share	<u>–</u>	<u>356,274</u>
	<u>89,068</u>	<u>445,342</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15 cents (2022: HK15 cents) per ordinary share	53,441	53,441
Special dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.00 (2022: HK\$Nil) per ordinary share	<u>356,274</u>	<u>–</u>
	<u>409,715</u>	<u>53,441</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\$190,393,000 (2022: HK\$1,299,136,000) and 356,273,883 (2022: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2023 and 2022, therefore diluted earnings per share are the same as basic earnings per share for both years.

9. TRADE AND OTHER RECEIVABLES

(a) Non-current

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Instalment receivables	88,489	96,374
Other receivables and prepayments	<u>2,481</u>	<u>2,481</u>
	<u>90,970</u>	<u>98,855</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	57,840	53,880
Instalment receivables	2,480	2,613
Less: loss allowance	<u>(2,651)</u>	<u>(2,709)</u>
	57,669	53,784
Other receivables and prepayments	77,426	73,119
Amounts due from joint ventures	<u>29,035</u>	<u>115,512</u>
	<u>164,130</u>	<u>242,415</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\$55,874,000 (2022: HK\$54,336,000) 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.

The balance as at 31 December 2023 is unsecured, interest-free and is recoverable on demand.

9. TRADE AND OTHER RECEIVABLES (Continued)

(b) Current (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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	30,397	27,633
1 to 3 months overdue	26,082	24,198
More than 3 months but less than 12 months overdue	1,173	1,845
More than 12 months overdue	<u>17</u>	<u>108</u>
	<u>57,669</u>	<u>53,784</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\$18,995,000 (2022: HK\$16,172,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$19,938,000 (2022: HK\$40,270,000) 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Due within 1 month or on demand	131,004	115,129
Due after 1 month but within 3 months	1,265	766
Due after 3 months but within 12 months	–	–
More than 12 months	<u>2</u>	<u>2</u>
	<u>132,271</u>	<u>115,897</u>

DIVIDENDS

The Board of Directors (the “Board”) has recommended the payment of a final dividend for the year ended 31 December 2023 of HK15 cents per share (2022: final dividend and special dividend of HK15 cents per share and HK\$1.00 per share respectively). Subject to shareholders’ approval at the annual general meeting to be held on Friday, 31 May 2024, the final dividend will be paid on Monday, 24 June 2024 to shareholders whose names appear on the Register of Members of the Company on Friday, 7 June 2024. The final dividend, together with the interim dividend of HK10 cents per share 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 Tuesday, 28 May 2024 to Friday, 31 May 2024 (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 or postponement 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 Monday, 27 May 2024.

In addition, the Register of Members of the Company will be closed on Thursday, 6 June 2024 and Friday, 7 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 5 June 2024.

BUSINESS REVIEW

During the year under review, the Group’s operating profit was mainly derived from the rental income from shops and commercial arcades as well as interest income from banks.

Property Development and Investment Operations

In 2023, the rental income arising from the commercial arcades of the Group amounted to approximately HK\$122 million. As at 31 December 2023, 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 rates of commercial arcades of Metro Harbour Plaza and Green Code Plaza were 94% and 99% respectively.

The Royale (8 Castle Peak Road – Castle Peak Bay, Tuen Mun) Joint Venture Development Project

The Group has already delivered to buyers the 1,746 residential units sold. The remaining 35 residential units and parking spaces will be offered for sale in batches successively.

BUSINESS REVIEW (Continued)

The Symphonie (280 Tung Chau Street, Cheung Sha Wan) Redevelopment Project

The Group's redevelopment project "The Symphonie" in Cheung Sha Wan provides a residential gross floor area of about 100,698 square feet. The superstructure works were completed and the certificate of compliance was issued in November 2023. The interior fitting-out works have almost been finished. Preparations for strata sale will soon be in place. Due to the current strong demand in the rental market in Hong Kong, rental yield rates have increased. Some units may also be used for rental purposes to increase the Group's regular income. However, the rental-to-sale ratio may vary depending on market conditions.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a deficit of HK\$7.6 million, an increase of HK\$2.2 million as compared to the year 2022. The increase in fare for operating the "North Point – Kwun Tong" dangerous goods vehicular ferry service was approved by the Transport Department on 28 January 2024. It is expected that the operation loss will be alleviated.

Healthcare, Medical Aesthetic and Beauty Services

Our "AMOUR" medical aesthetic clinic located at Mira Place, Tsim Sha Tsui, with a floor area of about 12,000 square feet, was opened in August 2022. Staffed by registered doctors, the clinic is 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 personalised medical aesthetic services. The number of customers has increased continuously since the opening. In December 2023, the turnover grew by eight times compared to January of the same year, reaching the monthly figure of HK\$2.76 million. Since the medical aesthetic and beauty services businesses are still in the initial development stage, widespread market recognition takes time. Although the turnover grew significantly during the year and HK\$8.1 million was recorded as payments received for prepaid packages (which has not been included in the income statement of the year under review), the medical aesthetic and beauty services businesses still incurred a loss of HK\$30 million.

The Group is gradually expanding its medical specialties businesses. In addition to collaborating with ICON, an international cancer care medical group, to set up a cancer centre at H Zentre in Tsim Sha Tsui, the Group has also established in the same building the "Total HealthCare Specialists Centre", which provides specialised services in cardiology, surgery, orthopedics, plastic surgery, rheumatology and urology. The medical specialties businesses have already achieved a net profit since the mid-year opening.

During the year under review, the Group planned to develop the pain treatment businesses. Apart from the clinic at Mira Place, Tsim Sha Tsui, a new branch located at Metro Harbour Plaza, Tai Kok Tsui will commence business in April 2024. The Group will introduce advanced medical equipment in conjunction with professional registered chiropractors and sports therapists, to design personalised treatment plans for pain-suffering patients in order to restore their bodies to a balanced and healthy state.

FINANCIAL REVIEW

Review of Results

The Group's revenue for the year amounted to approximately HK\$375 million, representing an increase of 33.5% when compared with the previous year. This was mainly attributable to the increase in interest income during the year.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2023, shareholders' funds of the Group showed a decrease of around 3.4% as compared to the previous year and amounted to approximately HK\$6,971 million. The decrease was mainly due to the net effect of the profit realised from property leasing, the gains on revaluation of the Group's investment properties 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 leasing and other operations.

Current assets of the Group were recorded at approximately HK\$3,792 million and the current liabilities were approximately HK\$241 million as of 31 December 2023. Current ratio of the Group had been decreased to 15.8 as at 31 December 2023, mainly attributed to the decrease in trade and other receivables as well as cash and bank balance.

Gearing Ratio and Financial Management

As the Group had no borrowings as at 31 December 2023, 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 and Remuneration Policy

As at 31 December 2023, the number of employees of the Group stood at about 284 (2022: about 250). Total employees' costs for the year amounted to approximately HK\$130 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

In July 2023, the US Federal Reserve set the federal fund target interest rate at 5.25%-5.5%, and the range has remained unchanged until now. Although the US inflation rate has receded, it is still uncertain when the Federal Reserve will start cutting interest rates. The Hong Kong Dollar prime rate has maintained at a high level, following the US interest rate. In the Mainland, The People's Bank of China repeatedly reduced interest rates and announced a cut in the five-year loan prime rate (LPR) by 25 basis points to 3.95% last month in order to reduce the interest expenses on housing loans for domestic residents and to support steady development of the real estate market.

PROSPECTS (Continued)

According to the Hong Kong Property Review by the Rating and Valuation Department in December 2023, the territory-wide price indices by class of private domestic properties decreased by approximately 6.8% year-on-year, while the territory-wide rental indices by class of private domestic properties increased by approximately 6.6% year-on-year. Due to the continuous decline in residential property prices, the Hong Kong Government adjusted counter-cyclical measures. The Financial Secretary announced on 28 February 2024 that all demand-side management measures for residential properties were cancelled. The Special Stamp Duty, the Buyer's Stamp Duty and the New Residential Stamp Duty will no longer be charged on all residential property transactions. On the same date, Hong Kong Monetary Authority issued guidelines to banks relaxing mortgage loan-to-value ratios and stress test. These measures have been well received by the public, and residential property transactions have become more active in the past three weeks. Homebuyers and investors have regained confidence in the property market and prices have stabilized. The 262 residential units of the "The Symphonie", the urban redevelopment project developed by the Group, will be offered in batches for sale or held for rental purposes.

As an international city, Hong Kong faces substantial impact by the number of tourists. With the Hong Kong Government actively developing tourism and receiving strong support from the Central Government, a series of international events and large-scale activities will be held in succession. Together with the relaxation of the Individual Visit Scheme, it is expected that the number of Mainland and foreign tourists will gradually increase in the future, which will greatly benefit various sectors such as retail, hotel, catering and healthcare. During the Mainland's Chinese New Year Golden Week, Hong Kong recorded a total of approximately 1.43 million tourist arrivals, of which 1.25 million were from Mainland China, indicating a clear trend.

During the year under review, the Group's major source of revenue is the rental income from shops and commercial arcades as well as interest income from banks. The Group had no borrowings. With the gradual economic recovery in Hong Kong, the Group's businesses are expected to benefit and develop steadily.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance. In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2023 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 2023 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 2023 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 C3 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 2023.

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 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 Company's website (www.hkf.com) and HKEXnews website (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 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, 20 March 2024

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, Mr. Wu King Cheong and Mr. Chan Wai Yan, Ronald.