



INTERIM REPORT
2015 中期報告



HONG KONG FERRY (HOLDINGS) COMPANY LIMITED
香港小輪(集團)有限公司

(Stock Code 股份代號：50)



INTERIM RESULTS AND DIVIDENDS

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2015 amounted to HK\$180 million, representing a decrease of 83% as compared with the figure for the first half year of 2014. Earnings per share amounted to HK\$0.50 as compared with HK\$2.94 over the corresponding period of 2014.

The Board of Directors (the “Board”) has resolved to pay an interim dividend of HK10 cents per share (2014: interim dividend of HK10 cents per share and first special dividend of HK90 cents per share) in respect of the year ending 31 December 2015. The interim dividend will be paid on or about Friday, 25 September 2015 to shareholders whose names appear on the register of members at the close of business on Wednesday, 16 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the major source of profits of the Group was mainly derived from the sale of residential units of Metro6 and Green Code. The occupation permit of Metro6 has been issued in February 2015 and it is expected that units of Metro6 can be delivered to buyers for use in September or October of this year.

Property Development and Investment Operations

During the period, the profit of the Group from the sale of Metro6 and Green Code amounted to HK\$135 million. The gross rental and other income from the commercial arcades of the Group amounted to HK\$37 million. The two floors of the commercial podium of Green Code have a gross floor area of approximately 136,000 sq. ft. and as of today the committed tenancy is around 71%. The relevant shops will be delivered to the tenants for use in the fourth quarter. The commercial podium of Metro6 has a gross floor area of approximately 10,000 sq. ft. and is now under leasing.

The response from the sale of Metro6 and Green Code is satisfactory. For the six months ended 30 June 2015, the Group had sold a total of 71 residential units of Metro6 and 18 residential units of Green Code. The remaining numbers of unsold units of the two properties are 16 and 10 respectively as at today. The occupancy rate of the commercial arcades of Metro Harbour Plaza was 98% during the period. The commercial arcades of Shining Heights and The Spectacle were fully let.

As regards the development of the Tung Chau Street Project, the Group has received the approval from the relevant government departments and the superstructure works will be resumed. The project will provide a total gross floor area of approximately 55,000 sq. ft. and is expected to be completed in 2017.

Management Discussion and Analysis (Continued)

Business Review *(continued)*

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK\$8.8 million, an increase of 107% as compared with the same period last year.

Travel Operation

The operating results of the Travel Operation showed a deficit of HK\$4.8 million in this period, representing an increase of 12% as compared with the same period last year as a result of severe market competition, continuous reduction in the number of Chinese visitors and the Middle East Respiratory Syndrome outbreak in South Korea.

Securities Investment

A profit of HK\$29 million was recorded in the Group's securities investment in the period.

Prospects

Despite the impact from the sluggish Chinese economy, the vigorous fluctuation of the A-share market and the anticipated rise in US dollar interest rate later in the second half year, the performance of the local economy, apart from retail sector, was stable in the first half year. The local GDP growth is similar to last year in real terms. The growth in number of visitors to Hong Kong has decreased, with less enthusiasm among consumers to spend. The total retail sales turnover in the first half of 2015 decreased by 1.6% on a year-to-year basis.

Although faced with the possible rise in interest rate and the volatility in the Hong Kong stock market, the local property market is still robust, with demand surpassing supply. The average residential property price has risen by 8% in the first half of the year, whilst the number of private residential property transactions increased to more than 32,000. It is expected that the residential property market will remain stable in the second half. The rental of shops and retail space, however, will be subject to downward pressure due to less sale in luxury products and retail goods.

The sales proceeds from the residential units of Metro6 and Green Code will continue to be the major source of income of the Group this year. With the abundant cash reserve in hand, the Group will continue to explore investment opportunities for the benefit of the shareholders.

Financial Review

Review of Results

During the six months ended 30 June 2015, the Group's revenue amounted to HK\$803 million, representing a decrease of 76% as compared with that recorded in the same period last year. This was mainly attributable to the decrease in the sale of the residential units of Green Code.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2015 was HK\$180 million, representing a decrease of 83% as compared with a profit of HK\$1,048 million for the same period last year. The reason for the decrease is already mentioned in the section of Management Discussion and Analysis of this report.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, shareholders' funds of the Group amounted to HK\$5,838 million, representing a slight increase of 0.2% as compared with the corresponding figure as at 31 December 2014. The increase was mainly due to the net effect of the proceeds realised from the sale of residential units of Metro6 and Green Code, 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 period. As at 30 June 2015, the Group had no borrowing.

There was no material acquisition or disposal of any subsidiary or associate during the period. A net repayment of approximately HK\$1.3 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2015, current assets of the Group stood at HK\$3,419 million and current liabilities was HK\$661 million. Current ratio of the Group increased from 3.7 as at 31 December 2014 to 5.2 as at 30 June 2015, mainly due to the decrease in trade and other payables.

Gearing Ratio and Financial Management

As there was no borrowing, gearing ratio was not shown. Assets of the Group were not charged to any third party during the period under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

Employees

As at 30 June 2015, the Group employed about 290 staff. 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.

OTHER INFORMATION

Closure of Register of Members

The Register of Members of the Company will be closed on Tuesday, 15 September 2015 and Wednesday, 16 September 2015, during which period no requests for the transfer of shares will be accepted.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 14 September 2015.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Arrangement to Purchase Shares, Warrants, Options or Debentures

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2015.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 enquiry, the Company confirmed that all directors of the Company have complied with the required standards set out in the Model Code during the six months ended 30 June 2015.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees, (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities) in respect of their dealings in the securities of the Company in compliance with the Code Provision A.6.4 of the Code.

Audit Committee

The Audit Committee has met in August 2015 and reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2015 with the management.

Remuneration Committee

The Remuneration Committee held its meeting in June 2015. The Remuneration Committee currently comprises four independent non-executive directors and two executive directors.

On behalf of the Board
Lam Ko Yin, Colin
Chairman

Hong Kong, 19 August 2015

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 30 June 2015, the interests and short positions of the directors in securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under Section 352 of the SFO were as follows:

Interests

	THE COMPANY				
	Personal Interests <i>Number of Shares</i>	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>	Total Interests <i>Number of Shares</i>	Approximate percentage of total issued shares
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Dr. Lee Shau Kee	799,220	118,732,090 <i>(Note 5 on page 8)</i>	–	119,531,310	33.55%
Mr. Leung Hay Man	2,250	–	–	2,250	0.00%
Mr. Li Ning	–	–	118,732,090 <i>(Note 4 on page 8)</i>	118,732,090	33.33%
Mr. Wong Man Kong, Peter	1,051,000	–	–	1,051,000	0.29%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%
				2OK COMPANY LIMITED	
				Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>
Dr. Lee Shau Kee <i>(Note 1)</i>				5	–
Mr. Li Ning <i>(Note 2)</i>				–	5

Directors' Interests in Securities *(continued)*

Interests *(continued)*

	WINWIDE LIMITED	
	Corporate Interests	Family Interests
	<i>Number of Shares</i>	<i>Number of Shares</i>
Dr. Lee Shau Kee <i>(Note 3)</i>	70	–
Mr. Li Ning <i>(Note 4)</i>	–	70

Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 5 shares in 2OK Company Limited.
2. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.
3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest. HD beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 70 shares in Winwide Limited.
4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2015.

Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2015, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	Number of shares in which interested	Approximate percentage of total issued shares
Substantial Shareholders		
Henderson Land Development Company Limited (<i>Note 1</i>)	118,732,090	33.33%
Pataca Enterprises Limited (<i>Note 1</i>)	118,732,090	33.33%
Wiselin Investment Limited (<i>Note 1</i>)	48,532,090	13.62%
Henderson Development Limited (<i>Note 2</i>)	118,732,090	33.33%
Hopkins (Cayman) Limited (<i>Note 3</i>)	118,732,090	33.33%
Rimmer (Cayman) Limited (<i>Note 3</i>)	118,732,090	33.33%
Riddick (Cayman) Limited (<i>Note 3</i>)	118,732,090	33.33%
Mr. Li Ning (<i>Note 4</i>)	118,732,090	33.33%
Dr. Lee Shau Kee (<i>Note 5</i>)	119,531,310	33.55%

Persons other than Substantial Shareholders

Graf Investment Limited (<i>Note 1</i>)	23,400,000	6.57%
Mount Sherpa Limited (<i>Note 1</i>)	23,400,000	6.57%
Paillard Investment Limited (<i>Note 1</i>)	23,400,000	6.57%

Notes:

1. These 118,732,090 shares included the 48,532,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").
2. These 118,732,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD.
3. These 118,732,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.
4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 118,732,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 118,732,090 shares are duplicated in the interests described in Notes 1, 2 and 3.
5. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 118,732,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,531,310 shares (approximately 33.55% of the total issued share capital of the Company) as at 30 June 2015.

Save as disclosed, as at 30 June 2015, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company required to be disclosed are shown as follows:

Name of Director	Details of Changes
Mr. Li Ning	Retired as an executive director of Henderson Land Development Company Limited ("HLD")* on 2 June 2015.
Mr. Au Siu Kee, Alexander	Retired as an independent non-executive director of HLD on 2 June 2015 and has been appointed as an independent non-executive director and a member of the Audit Committee of Henderson Investment Limited ("HIL")* with effect from 1 July 2015.
Dr. Lee Shau Kee	Stepped down from the positions of Chairman and Managing Director, the chairman of the Nomination Committee and member of the Remuneration Committee of HIL on 1 July 2015 and remains as an executive director of HIL.

* A company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

CONDENSED INTERIM FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	3(a)	802,757	3,308,641
Cost of sales		(543,608)	(2,089,453)
		259,149	1,219,188
Other revenue	3(a)	18,987	23,712
Other net income	4	36,726	1,069
Valuation gains on investment properties	3(d)	15,192	135,736
Impairment loss on available-for-sale securities		(10,035)	(6,791)
Selling and marketing expenses		(56,584)	(98,510)
Administrative expenses		(24,522)	(20,363)
Other operating expenses		(27,833)	(24,541)
Profit from operations	3(b)	211,080	1,229,500
Share of profits less losses of associates		401	246
Profit before taxation	5	211,481	1,229,746
Taxation	6	(31,946)	(181,756)
Profit attributable to equity shareholders of the Company		179,535	1,047,990
Earnings per share (HK\$)			
– Basic and diluted	9	\$0.50	\$2.94

The notes on pages 16 to 37 form part of these condensed interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 7.

Condensed Interim Financial Statements (Continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Profit attributable to equity shareholders of the Company		179,535	1,047,990
Other comprehensive income for the period (after tax and reclassification adjustments):	8		
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities:			
net movement in securities revaluation reserve		34,512	(2,484)
Total comprehensive income attributable to equity shareholders of the Company		214,047	1,045,506

The notes on pages 16 to 37 form part of these condensed interim financial statements.

Condensed Interim Financial Statements (Continued)

Consolidated Statement of Financial Position

At 30 June 2015

	Note	At 30 June 2015 (unaudited)		At 31 December 2014 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties	10		2,001,100		1,880,200
Other property, plant and equipment			63,985		66,631
Interest in leasehold land			43,822		44,507
			<u>2,108,907</u>		<u>1,991,338</u>
Interest in associates	11		11,882		13,624
Available-for-sale securities	12		996,634		521,165
Employee benefits assets			614		1,420
Deferred tax assets			3,058		5,860
			<u>3,121,095</u>		<u>2,533,407</u>
Current assets					
Inventories	13	559,225		1,084,599	
Trade and other receivables	14	708,822		893,574	
Other financial assets	15	101,743		–	
Cash and bank balances	16	2,014,537		2,530,827	
Tax recoverable		34,625		35,412	
			<u>3,418,952</u>		<u>4,544,412</u>

Condensed Interim Financial Statements (Continued)

Consolidated Statement of Financial Position *(continued)*

At 30 June 2015

	Note	At 30 June 2015 (unaudited)		At 31 December 2014 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	17	451,491		1,027,561	
Tax payable		209,023		188,298	
		<u>660,514</u>		<u>1,215,859</u>	
Net current assets			<u>2,758,438</u>		<u>3,328,553</u>
Total assets less current liabilities			<u>5,879,533</u>		<u>5,861,960</u>
Non-current liability					
Deferred tax liabilities			<u>41,968</u>		<u>38,929</u>
NET ASSETS			<u>5,837,565</u>		<u>5,823,031</u>
CAPITAL AND RESERVES					
Share capital	18		<u>1,754,801</u>		<u>1,754,801</u>
Reserves			<u>4,082,764</u>		<u>4,068,230</u>
TOTAL EQUITY			<u>5,837,565</u>		<u>5,823,031</u>

The notes on pages 16 to 37 form part of these condensed interim financial statements.

Condensed Interim Financial Statements (Continued)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 – unaudited

	Note	Share capital HK\$'000	Share premium HK\$'000	Securities revaluation reserve HK\$'000	Other capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2014		356,274	1,398,527	41,304	605	3,390,443	5,187,153
Changes in equity for the six months ended 30 June 2014:							
Profit for the period		-	-	-	-	1,047,990	1,047,990
Other comprehensive income		-	-	(2,484)	-	-	(2,484)
Total comprehensive income		-	-	(2,484)	-	1,047,990	1,045,506
Dividends approved in respect of the previous year	7(b)	-	-	-	-	(92,631)	(92,631)
Transition to no-par value regime on 3 March 2014	18	1,398,527	(1,398,527)	-	-	-	-
Balance at 30 June 2014 and 1 July 2014		1,754,801	-	38,820	605	4,345,802	6,140,028
Changes in equity for the six months ended 31 December 2014:							
Loss for the period		-	-	-	-	(16,579)	(16,579)
Other comprehensive income		-	-	56,963	-	(1,107)	55,856
Total comprehensive income		-	-	56,963	-	(17,686)	39,277
Dividends declared in respect of the current year	7(a)	-	-	-	-	(356,274)	(356,274)
Balance at 31 December 2014 and 1 January 2015		1,754,801	-	95,783	605	3,971,842	5,823,031
Changes in equity for the six months ended 30 June 2015:							
Profit for the period		-	-	-	-	179,535	179,535
Other comprehensive income		-	-	34,512	-	-	34,512
Total comprehensive income		-	-	34,512	-	179,535	214,047
Dividends approved in respect of the previous year	7(b)	-	-	-	-	(199,513)	(199,513)
Balance at 30 June 2015		1,754,801	-	130,295	605	3,951,864	5,837,565

The notes on pages 16 to 37 form part of these condensed interim financial statements.

Condensed Interim Financial Statements (Continued)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Net cash generated from operating activities		180,606	486,617
Investing activities			
Payment for purchase of available-for-sale securities		(659,564)	–
Proceeds from disposal of available-for-sale securities		242,527	–
Payment for purchase of financial assets designated at fair value through profit or loss		(100,000)	–
Other cash flows arising from investing activities		19,654	32,783
Net cash (used in)/generated from investing activities		(497,383)	32,783
Financing activity			
Dividends paid		(199,513)	(92,631)
Net cash used in financing activity		(199,513)	(92,631)
Net (decrease)/increase in cash and cash equivalents		(516,290)	426,769
Cash and cash equivalents at 1 January	16	2,530,827	1,759,565
Cash and cash equivalents at 30 June	16	2,014,537	2,186,334

The notes on pages 16 to 37 form part of these condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation

These condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They were authorised for issue on 19 August 2015.

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Hong Kong Ferry (Holdings) Company Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 38.

The financial information relating to the financial year ended 31 December 2014 that is included in the condensed interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements 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 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

1. Basis of Preparation *(continued)*

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

2. Changes in Accounting Policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to HKFRSs 2010–2012 Cycle*
- *Annual Improvements to HKFRSs 2011–2013 Cycle*

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

3. Segment Reporting

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

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting *(continued)*

Segment results

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

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

The segment information for the six months ended 30 June 2015 and 2014 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	650,180	3,163,785	–	–	650,180	3,163,785
Property investment	43,003	35,798	21	38	42,982	35,760
Ferry, shipyard and related operations	66,498	62,764	2,149	1,461	64,349	61,303
Travel operation	50,171	56,011	158	190	50,013	55,821
Securities investment	3,717	1,608	–	–	3,717	1,608
Others	39,737	44,058	29,234	29,982	10,503	14,076
	853,306	3,364,024	31,562	31,671	821,744	3,332,353
Analysed by :						
Revenue					802,757	3,308,641
Other revenue					18,987	23,712
					821,744	3,332,353

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses, travel operation 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.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

(b) Segment result

	Reportable segment profit Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Property development	134,504	1,067,239
Property investment <i>(note 3(d))</i>	36,318	154,310
Ferry, shipyard and related operations	8,760	4,227
Travel operation	(4,767)	(4,262)
Securities investment	28,648	(5,394)
Others <i>(note 3(e))</i>	7,617	13,380
	211,080	1,229,500

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Reportable segment profit derived from external customers	211,080	1,229,500
Share of profits less losses of associates	401	246
Consolidated profit before taxation	211,481	1,229,746

- (d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$15,192,000 (2014: HK\$135,736,000).
- (e) The segment result of “Others” mainly comprises interest income, corporate expenses and exchange gains/losses.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

4. Other Net Income

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Net profit on disposal of available-for-sale securities	33,956	658
Net unrealised gains on financial assets designated at fair value through profit or loss	1,743	–
Net exchange gains/(losses)	216	(942)
Income from sale of spare parts	477	235
Sundry income	334	1,118
	36,726	1,069

5. Profit Before Taxation

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	463,537	2,004,321
Depreciation	2,961	3,001
Dividend income from listed investments	(2,550)	(1,608)
Interest income	(14,044)	(26,035)

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

6. Taxation

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	26,131	168,546
Over-provision in respect of prior year	(26)	(10)
	26,105	168,536
Deferred tax		
Origination and reversal of temporary differences	5,841	13,220
	31,946	181,756

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 June 2015.

7. Dividends

(a) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Interim dividend of HK10 cents (2014: HK10 cents) per ordinary share declared and paid after the interim period	35,627	35,627
First special dividend of Nil (2014: HK90 cents) per ordinary share declared with interim dividend and paid after the interim period	–	320,647
	35,627	356,274

The 2015 interim dividend has not been recognised as a liability at the end of the reporting period.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

7. Dividends *(continued)*

- (b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK26 cents (six months ended 30 June 2014: HK26 cents) per ordinary share	92,631	92,631
Second special dividend in respect of the previous financial year, approved and paid during the following interim period, of HK30 cents (six months ended 30 June 2014: Nil) per ordinary share	106,882	–
	199,513	92,631

8. Other Comprehensive Income

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	57,277	(9,275)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	(32,800)	–
– impairment losses	10,035	6,791
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	34,512	(2,484)

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$179,535,000 (six months ended 30 June 2014: HK\$1,047,990,000) and 356,273,883 (2014: 356,273,883) ordinary shares in issue during the interim period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2015 and 2014, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. Investment Properties

(a) Additions

During the six months ended 30 June 2015, properties under development with carrying amount of HK\$107,485,000 (2014: HK\$476,564,000) have been transferred from “Inventories” to “Investment properties” as the directors determined they are held for leasing purpose.

(b) Valuation process

All of the Group’s investment properties were revalued as at 30 June 2015. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. Management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

The fair values of investment properties were determined using income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of properties after expiry of the current lease except for certain investment properties which were determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Valuation

As a result of the update, a net gain of HK\$15,192,000 (2014: HK\$135,736,000) has been recognised in profit or loss for the period in respect of investment properties.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

11. Interest in Associates

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Share of net assets	5,063	5,442
Amounts due from associates	13,613	14,976
	18,676	20,418
Less: Impairment loss	(6,794)	(6,794)
	11,882	13,624

All of the associates are incorporated and operate in Hong Kong.

12. Available-for-Sale Securities

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Listed debt securities outside Hong Kong	32,398	31,613
Listed equity securities		
– in Hong Kong	909,715	435,668
– outside Hong Kong	54,521	53,884
	964,236	489,552
	996,634	521,165
Market value of listed securities	996,634	521,165
Fair value of individually impaired available-for-sale securities	288,677	182,551

As at 30 June 2015, certain of the Group's listed available-for-sale securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses of HK\$10,035,000 (2014: HK\$6,791,000) on these investments were recognised in profit or loss for the period.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

13. Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Property development		
Properties under development for sale	235,154	842,566
Completed properties held for sale	306,276	227,958
	541,430	1,070,524
Other operations		
Trading stocks	985	898
Spare parts and consumables	1,656	1,723
Work in progress	15,154	11,454
	17,795	14,075
	559,225	1,084,599

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

14. Trade and Other Receivables

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Trade receivables	214,861	180,762
Less: allowance for doubtful debts	(9)	–
	214,852	180,762
Cash held by stakeholders	454,729	648,216
Other receivables and prepayments	39,241	64,596
	708,822	893,574

All of the trade and other receivables at 30 June 2015 except for instalment receivables of HK\$94,690,000 (31 December 2014: HK\$98,497,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables at 30 June 2015 are amounts due from related companies of HK\$22,045,000 (31 December 2014: HK\$38,120,000) which are unsecured, interest-free and have no fixed terms of repayment.

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the end of the reporting period:

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Current	193,323	151,119
1 to 3 months overdue	16,921	25,761
More than 3 months but less than 12 months overdue	3,040	2,575
More than 12 months overdue	1,568	1,307
	214,852	180,762

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.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

15. Other Financial Assets

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Financial assets designated at fair value through profit or loss	101,743	–

During the six months ended 30 June 2015, the Group purchased investments in the total amount of HK\$100,000,000. These investments were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss with subsequent changes in fair values recognised in profit or loss.

16. Cash and Bank Balances

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Deposits with banks and other financial institutions	1,988,965	2,515,661
Cash at bank and in hand	25,572	15,166
Cash and cash equivalents in the condensed consolidated cash flow statement	2,014,537	2,530,827

17. Trade and Other Payables

All of the trade and other payables except for an amount of HK\$8,633,000 (31 December 2014: HK\$7,622,000) are expected to be settled or recognised as income within one year. Included in the trade and other payables at 30 June 2015 are amounts due to related companies of HK\$359,422,000 (31 December 2014: HK\$568,502,000) which are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

17. Trade and Other Payables *(continued)*

Included in trade and other payables are trade payables with the following ageing analysis as at the end of the reporting period:

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Due within 1 month or on demand	398,155	665,918
Due after 1 month but within 3 months	973	915
More than 12 months	8	8
	399,136	666,841

18. Capital and Reserves

Share capital

	At 30 June 2015		At 31 December 2014	
	Number of shares (<i>'000</i>)	HK\$'000	Number of shares (<i>'000</i>)	HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	356,274	1,754,801	356,274	356,274
Transition to no-par value regime on 3 March 2014 (<i>note</i>)	–	–	–	1,398,527
At 30 June/31 December	356,274	1,754,801	356,274	1,754,801

Note: The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been in accordance with the requirements of Parts 4 and 5 of the Ordinance.

19. Fair Value Measurement of Financial Instruments

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2015 HK\$'000	Fair value measurements as at 30 June 2015 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale securities:				
– Listed	996,634	996,634	–	–
Financial assets designated at fair value through profit or loss	101,743	–	101,743	–

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

19. Fair Value Measurement of Financial Instruments *(continued)*

(a) Financial assets measured at fair value *(continued)*

(i) Fair value hierarchy *(continued)*

	Fair value measurements as at 31 December 2014 categorised into			
	Fair value at 31 December 2014	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale securities:				
– Listed	521,165	521,165	–	–

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: HK\$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the financial assets designated at fair value through profit or loss is based on the pricing model taking into account the market closing prices of the underlying equity securities and/or index, volatilities, correlations and interest rates, which are observable market data, at the end of the reporting period.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2014 and 30 June 2015.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

20. Capital and Other Commitments

Capital and other commitments outstanding at 30 June 2015 not provided for in these condensed interim financial statements are as follows:

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Contracted for	130,031	162,833
Authorised but not contracted for	64,424	80,146
	194,455	242,979

21. Contingent Liabilities

Financial guarantees issued

At 30 June 2015, the Company has issued the following guarantees:

- (a) guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries; and
- (b) guarantees to banks in respect of banking facilities granted to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant suppliers by its wholly-owned subsidiaries, being HK\$351,000 (31 December 2014: HK\$662,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK\$Nil.

22. Material Related Party and Connected Transactions

(a) Material related party and connected transactions

- (i) In 1999, the Group entered into a development agreement (the “Agreement”) with Henderson Land Development Company Limited (“HLD”) and two wholly-owned subsidiaries of HLD (“HLD Sub”), whereby HLD Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the “MHV Property”) for a consideration of HK\$1,500,000,000.

As part of the Agreement, HLD Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 30 June 2015, an amount of HK\$261,000 (31 December 2014: HK\$8,199,000) remained unpaid and was included in trade and other receivables.

- (ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited (“2OK”) which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 30 June 2015. During the period, the Group received management and administrative fees in the total of HK\$75,000 (2014: HK\$75,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter’s mortgage operation and interest was charged on amounts advanced. During the period, the Group received interest amounting to HK\$25,000 (2014: HK\$47,000) from 2OK. At 30 June 2015, the amount advanced by the Group totalling HK\$2,102,000 (31 December 2014: HK\$3,375,000) is in proportion to the Group’s equity interest in 2OK and is unsecured and has no fixed repayment terms.

- (iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza (“MHP”), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months’ prior notice in writing. An amount of HK\$923,000 (2014: HK\$796,000) was charged to the Group for the period. At 30 June 2015, an amount of HK\$900,000 (31 December 2014: HK\$881,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the period.

22. Material Related Party and Connected Transactions *(continued)*

(a) Material related party and connected transactions *(continued)*

- (iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong (“the TKT Property”). The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee shall be subject to a total annual ceiling of HK\$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK\$5,500,000 and HK\$6,500,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively.

During the period ended 30 June 2015, there was no change in cost estimates. At 30 June 2015, an amount of HK\$2,294,000 (31 December 2014: HK\$2,294,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

- (v) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the TKT Property for the period from 16 June 2008 to the earlier of 15 December 2009 and the date on which the last residential unit in the TKT Property to be sold is sold. At 31 December 2014, an amount of HK\$1,104,000 remained unpaid and was included in trade and other payables. The balance was repaid during the period.
- (vi) In March 2011, the Group appointed a wholly-owned subsidiary of HLD (“HLD Sub A”) as the project manager of the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the “Fanling Property”) for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 0.7% of the construction costs of the Fanling Property and other lump sum fees for supplementary services subject to a ceiling of HK\$7,000,000; and 0.5% of the gross proceeds of sales (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. No cost has been charged for the six months ended 30 June 2015 (2014: HK\$1,395,000).

In January 2013, the Group revised the annual cap of the Fanling Project Management Fee as set out in the Fanling Project Management Agreement of the respective years. The Group entered into the Supplemental Fanling Project Management Agreement with HLD Sub A and another wholly-owned subsidiary of HLD (“HLD Sub B”), pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the Fanling Project Management Fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services were transferred and novated to HLD Sub B.

22. Material Related Party and Connected Transactions *(continued)*

(a) Material related party and connected transactions *(continued)*

- (vii) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of the Fanling Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years.

In October 2014, the Group entered into a Fanling Prime Cost Contract Extension Letter with the wholly-owned subsidiary of HLD to extend the period of payment of fees for the respective ceilings of HK\$6,800,000 and HK\$19,000,000 for the period from 1 June 2014 to 31 December 2014 and year ending 31 December 2015 respectively. During the period, as a result of change in the latest cost estimates, an amount of HK\$9,040,000 and HK\$452,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the Fanling Property. In accordance with the contract entered into with the Group, an amount of HK\$115,431,000, of which HK\$5,839,000 being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the Fanling Property for the six months ended 30 June 2014. At 30 June 2015, an amount of HK\$309,040,000 (31 December 2014: HK\$507,721,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

- (viii) In March 2011, the Group appointed HLD Sub A as the project manager of the development of 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the TCS Property, subject to a ceiling of HK\$1,490,000; and 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. No cost has been charged for the six months ended 30 June 2015 (2014: HK\$138,000). At 30 June 2015, an amount of HK\$4,348,000 (31 December 2014: HK\$4,348,000) remained unpaid and was included in trade and other payables.

In January 2013, the Group revised the annual cap of the TCS Project Management Fee as set out in the TCS Project Management Agreement of the respective years. The Group entered into the Supplemental TCS Project Management Agreement with HLD Sub A and HLD Sub B, pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the TCS Project Management Fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services were transferred and novated to HLD Sub B.

22. Material Related Party and Connected Transactions *(continued)*

(a) Material related party and connected transactions *(continued)*

- (ix) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of the TCS Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. The construction has not commenced. No cost has been charged for the six months ended 30 June 2015.

In January 2013, the Group revised the annual cap of the TCS Prime Cost Contract as set out in the TCS Prime Cost Contract of the respective years. The Group entered into the Supplemental TCS Prime Cost Contract with another wholly-owned subsidiary of HLD to revise the maximum annual aggregate amounts of the TCS Prime Costs and Fees.

- (x) In July 2011, the Group as landlord and an indirectly non-wholly owned subsidiary of HLD as tenant agreed to renew their tenancy agreements in respect of certain shops and spaces of MHP. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2011 at a monthly rental of HK\$350,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business conducted over HK\$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for fourteen external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrance of MHP for a term of three years commencing from 1 July 2011. Total annual licence fees payable under the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement were HK\$60,000 and HK\$6,600 respectively and expired on 30 June 2014.

In March 2014, the Group and the indirectly non-wholly owned subsidiary of HLD agreed to renew their tenancy and licence agreements for a term of three years commencing from 1 July 2014. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2014 at a monthly rental of HK\$470,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business conducted over HK\$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) an External Wall Signage Licence Agreement for three external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrance of MHP for a term of three years commencing from 1 July 2014. Total annual licence fees payable under the External Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are HK\$22,000 and HK\$8,000 respectively. The Tenancy Renewal Agreement and two Licence Agreements are subject to annual caps of respective years.

During the period, an amount of HK\$5,658,000 (2014: HK\$4,230,000), being aggregate rental and fees receivable under the aforementioned lease and licences, was credited to the Group.

22. Material Related Party and Connected Transactions *(continued)*

(a) Material related party and connected transactions *(continued)*

- (xi) In September 2013, the Group appointed HLD Sub A as the project manager of the development of Hung Hom Inland Lot No. 555 (the "Hung Hom Property") for a term of three years commencing from 5 September 2013 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the Hung Hom Property and other lump sum fees for supplementary services subject to a ceiling of HK\$2,300,000. A total fee of HK\$943,000 (2014: HK\$1,090,000) was charged to the Group for the period. At 30 June 2015, an amount of HK\$943,000 (31 December 2014: HK\$3,525,000) remained unpaid and was included in trade and other payables.
- (xii) In December 2013, the Group appointed HLD Sub B as the sales manager of the development of the Hung Hom Property for a term of three years commencing from 1 January 2014 in consideration for a fee of 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the annual ceilings for the year ended 31 December 2014, and the years ending 31 December 2015 and 31 December 2016 of HK\$2,500,000, HK\$1,000,000 and HK\$1,500,000 respectively. A total fee of HK\$67,000 (2014: HK\$Nil) was charged to the Group for the period. At 30 June 2015, an amount of HK\$67,000 (31 December 2014: HK\$166,000) remained unpaid and was included in trade and other payables.
- (xiii) In August 2014, the Group entered into a letter agreement with HLD Sub B and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Miramar Shopping Centre (the "Premises") for the marketing services of the Hung Hom Property for the period from 5 August 2014 to the earlier of 4 April 2015 and the date on which the last residential unit in the Hung Hom Property is sold, subject to the respective ceilings of HK\$3,000,000 for the period from 5 August 2014 to 31 December 2014 and HK\$1,100,000 for the period from 1 January 2015 to 4 April 2015. The letter agreement expired on 4 April 2015.

In March 2015, the Group entered into a letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises for the continuation of the marketing services of the Hung Hom Property for the period from 5 April 2015 to the earlier of 4 July 2015 and the date on which the last residential unit in the Hung Hom Property is sold, subject to the ceiling of HK\$1,000,000. The letter agreement expired on 4 July 2015.

In July 2015, the Group entered into a letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises for the continuation of the marketing services of the Hung Hom Property for the period from 5 July 2015 to the earlier of 4 October 2015 and the date on which the last residential unit in the Hung Hom Property is sold, subject to the ceiling of HK\$1,000,000.

22. Material Related Party and Connected Transactions *(continued)*

(a) Material related party and connected transactions *(continued)*

(xiii) *(continued)*

A total fee of HK\$1,684,000 (2014: HK\$Nil) was charged to the Group for the period. At 30 June 2015, an amount of HK\$1,106,000 (31 December 2014: HK\$1,651,000) remained unpaid and was included in trade and other payables.

(xiv) At 30 June 2015, HLD (as defined in the Listing Rules) beneficially owned approximately 33.33% of the issued share capital of the Company.

Dr. Lee Shau Kee, a director of the Company, is interested in the above transactions as a substantial shareholder of HLD.

To the extent the above transactions constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes 22(a)(vi), (vii), (viii), (ix), (x), (xi), (xii) and (xiii) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules).

23. Non-Adjusting Events after the Reporting Period

After the end of the reporting period, the directors declared the interim dividend. Further details are disclosed in note 7(a).

REVIEW REPORT



REVIEW REPORT TO THE BOARD OF DIRECTORS OF HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 10 to 37 which comprises the consolidated statement of financial position of Hong Kong Ferry (Holdings) Company Limited (the "Company") as of 30 June 2015 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 30 June 2015 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

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Central, Hong Kong

19 August 2015



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