



## Interim Report **2016** 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 2016 amounted to HK\$124 million, representing a decrease of 31% as compared with the figure for the first half year of 2015. Earnings per share amounted to HK\$0.35 as compared with HK\$0.50 over the corresponding period of 2015.

The Board of Directors (the "Board") declared an interim dividend of HK10 cents per share (2015: interim dividend of HK10 cents per share) in respect of the year ending 31 December 2016. The interim dividend will be paid on or about Thursday, 29 September 2016 to shareholders whose names appear on the register of members at the close of business on Tuesday, 20 September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the period under review, the profit of the Group was mainly derived from the sale of residential units in Green Code and Shining Heights.

### Property Development and Investment Operations

During the period, the profit of the Group from the sale of Green Code and Shining Heights amounted to HK\$84 million. At the end of the reporting period, the unsold units of Green Code and Metro6 were 8 units and 12 units respectively.

The gross rental income from the commercial arcades of the Group amounted to HK\$43 million during the period. The leasing status of the commercial properties of the Group was satisfactory. At the end of the reporting period, the commercial arcades of Shining Heights and The Spectacle were fully let whereas the occupancy rate of commercial arcades of Metro Harbour Plaza was 97%. The commercial podium of Green Code consists of two floors with a total gross floor area of approximately 136,000 sq. ft. and the committed tenancy was around 73%. The commercial podium of Metro6 has a gross floor area of approximately 10,000 sq. ft. and the occupancy rate was 97%.

The presale of Harbour Park was launched in January 2016 and the response was satisfactory. At present, 68% of the residential units of Harbour Park had been sold.

### Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK\$4.4 million, a decrease of 50% as compared with the same period last year. The decrease was mainly due to increased expenditure resulting from major repair and maintenance of ferry.

# Management Discussion and Analysis (Continued)

## Business Review *(continued)*

### Travel Operation

The operating results of Travel Operation recorded a deficit of HK\$5.1 million this period, representing an increase of 6% in deficit as compared with the same period last year. Due to the fact that small scale operations in travel business were not efficient enough to generate decent profits, the Company had decided to sell the travel business to Miramar Travel Limited, an affiliate of the Henderson Land Group in June 2016 at a consideration of HK\$5 million, subject to adjustments. A Letter of Intent was signed on 10 June 2016 and the relevant sale and purchase agreement was signed on 14 July 2016. The sale is expected to be completed this year.

### Securities Investment

During the period, a loss of HK\$44 million in securities investment was recorded, mainly due to the poor performance of the Hong Kong stock market in the first half of the year and the effect of the news of Brexit near the end of the reporting period, necessitating impairment on securities investments.

## Prospects

The Hong Kong economy continued to moderate in the first half of the year. The GDP in second quarter grew modestly by 1.7% in real terms over a year earlier. The continual decrease in the number of visitors from the Mainland China coupled with the decline in local consumer spending resulted in lackluster retail business. For the first half of the year, the value of total retail sales decreased by 10.5% compared with the same period in 2015. The value of sales of luxurious goods decreased significantly by 21%. As regards property sale, the number of transactions was sluggish in the first half of the year. The number of property transactions decreased by 38% to approximately 20,000 as compared with last year.

Following the referendum of the UK to leave the European Union, the immediate response of the global central banks was cautiousness in their economic outlook. The quantitative easing of Europe, the UK and Japan was generally interpreted to continue or expand. As a result of forecast low interest rates, the confidence of local property buyers was enhanced, leading to the improvement in the number of property transactions and pricing of residential units.

On 8 August 2016, the Group through its 50%-50% partnership with Empire Group Holdings Limited which is owned by Dr. Walter, Kwok Ping Sheung, successfully bid for the land at Tuen Mun Town Lot No. 547 at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories at a land premium of HK\$2,708.80 million. The area of the land was approximately 165,766 square feet with a gross floor area of approximately 663,062 square feet. It is expected to be developed into 1,800 condominiums by phases within six years. The land is situate facing Harrow International School Hong Kong at the back and Gold Coast in the front. The scenery of the land is good and transportation convenient. It is suitable for the construction of medium to small residential units. It is expected that the project would bring reasonable return to the Group in future.

## Financial Review

### Review of Results

During the six months ended 30 June 2016, the Group's revenue amounted to HK\$294 million, representing a decrease of 63% 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 and Metro6.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2016 was HK\$124 million, representing a decrease of 31% as compared with a profit of HK\$180 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 2016, shareholders' funds of the Group amounted to HK\$5,665 million, representing a slight increase of 0.2% as compared with the corresponding figure as at 31 December 2015. The increase was mainly due to the net effect of the proceeds realised from the sale of Green Code and Shining Heights, the gains on revaluation of the Group's investment properties, impairment loss on securities and the payment of dividends.

There was no change to the capital structure of the Group during the period. As at 30 June 2016, 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\$0.5 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2016, current assets of the Group stood at HK\$3,058 million and current liabilities was HK\$336 million. Current ratio of the Group increased from 6.8 as at 31 December 2015 to 9.1 as at 30 June 2016, mainly due to the increase in trade and other receivables and decrease in tax payable.

### 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 2016, the Group employed about 270 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 will be closed on Monday, 19 September 2016 and Tuesday, 20 September 2016, 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 Thursday, 15 September 2016.

### 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 maintain high standard 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 2016.

### 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 standard set out in the Model Code during the six months ended 30 June 2016.

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 2016 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 report for the six months ended 30 June 2016 with the management.

### Remuneration Committee

The Remuneration Committee held its meeting in June 2016. The Remuneration Committee currently comprises four independent non-executive directors and two executive directors.

### Change in Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director of the Company required to be disclosed is shown as follows:

Mr. Au Siu Kee, Alexander was admitted as a Fellow of The Institute of Chartered Accountants in England and Wales with effect from 1 August 2016.

On behalf of the Board  
**Lam Ko Yin, Colin**  
*Chairman*

Hong Kong, 19 August 2016







### Directors' Interests in Securities *(continued)*

#### Interests *(continued)*

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

#### Notes:

- 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 total number of issued shares of 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.
- 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.
- 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 total number of issued shares of 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.
- 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 2016.

## Disclosure of Interests (Continued)

### Substantial Shareholders and Others

As at 30 June 2016, 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 the total number of issued shares
<b>Substantial Shareholders</b>		
Henderson Land Development Company Limited ( <i>Note 1</i> )	119,017,090	33.41%
Pataca Enterprises Limited ( <i>Note 1</i> )	119,017,090	33.41%
Wiselin Investment Limited ( <i>Note 1</i> )	48,817,090	13.70%
Henderson Development Limited ( <i>Note 2</i> )	119,017,090	33.41%
Hopkins (Cayman) Limited ( <i>Note 3</i> )	119,017,090	33.41%
Rimmer (Cayman) Limited ( <i>Note 3</i> )	119,017,090	33.41%
Riddick (Cayman) Limited ( <i>Note 3</i> )	119,017,090	33.41%
Mr. Li Ning ( <i>Note 4</i> )	119,017,090	33.41%
Dr. Lee Shau Kee ( <i>Note 5</i> )	119,816,310	33.63%
<b>Persons other than Substantial Shareholders</b>		
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%

### Substantial Shareholders and Others *(continued)*

*Notes:*

1. These 119,017,090 shares included the 48,817,090 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 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.
3. These 119,017,090 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 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 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 119,017,090 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 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 30 June 2016.

Save as disclosed, as at 30 June 2016, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

# INTERIM FINANCIAL REPORT

## Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	3(a)	294,046	802,757
Direct costs		(151,105)	(560,006)
		<b>142,941</b>	242,751
Other revenue	3(a)	21,627	18,987
Other net income	4	33,724	36,726
Valuation gains on investment properties	3(d)	46,306	15,192
Impairment loss on available-for-sale securities		(46,281)	(10,035)
Selling and marketing expenses		(17,578)	(56,584)
Administrative expenses		(24,905)	(24,522)
Other operating expenses		(8,927)	(11,435)
<b>Profit from operations</b>	3(b)	<b>146,907</b>	211,080
Share of profits less losses of associates		290	401
<b>Profit before taxation</b>	5	<b>147,197</b>	211,481
Taxation	6	(23,502)	(31,946)
<b>Profit attributable to equity shareholders of the Company</b>		<b>123,695</b>	179,535
Earnings per share (HK\$)			
– Basic and diluted	9	0.35	0.50

The notes on pages 16 to 39 form part of this interim financial report. 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 six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Profit attributable to equity shareholders of the Company</b>		<b>123,695</b>	179,535
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>	8		
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities:			
net movement in securities revaluation reserve		<b>(18,022)</b>	34,512
<b>Total comprehensive income attributable to equity shareholders of the Company</b>		<b>105,673</b>	214,047

The notes on pages 16 to 39 form part of this interim financial report.

## Interim Financial Report (Continued)

### Consolidated Statement of Financial Position

At 30 June 2016

	Note	At 30 June 2016 (unaudited)		At 31 December 2015 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Investment properties	10		2,037,655		2,001,100
Other property, plant and equipment			59,443		61,407
Interest in leasehold land			42,453		43,138
			<u>2,139,551</u>		<u>2,105,645</u>
Interest in associates	11		10,750		11,121
Available-for-sale securities	12		840,092		827,680
Deferred tax assets			4,967		5,152
			<u>2,995,360</u>		<u>2,949,598</u>
<b>Current assets</b>					
Inventories	13	468,805		492,906	
Trade and other receivables	14	471,325		213,490	
Other financial assets	15	–		90,375	
Cash and bank balances	16	2,082,986		2,391,857	
Tax recoverable		35,277		35,283	
		<u>3,058,393</u>		<u>3,223,911</u>	

## Interim Financial Report (Continued)

### Consolidated Statement of Financial Position *(continued)*

At 30 June 2016

	Note	At 30 June 2016 (unaudited)		At 31 December 2015 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current liabilities</b>					
Trade and other payables	17	280,565		261,308	
Tax payable		55,001		210,798	
		<u>335,566</u>		<u>472,106</u>	
<b>Net current assets</b>			<u>2,722,827</u>		<u>2,751,805</u>
<b>Total assets less current liabilities</b>			<u>5,718,187</u>		<u>5,701,403</u>
<b>Non-current liabilities</b>					
Net employee retirement benefits liabilities		5,195		4,330	
Deferred tax liabilities		47,845	53,040	44,968	49,298
<b>NET ASSETS</b>			<u>5,665,147</u>		<u>5,652,105</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	18		1,754,801		1,754,801
Reserves			<u>3,910,346</u>		<u>3,897,304</u>
<b>TOTAL EQUITY</b>			<u>5,665,147</u>		<u>5,652,105</u>

The notes on pages 16 to 39 form part of this interim financial report.



## Interim Financial Report (Continued)

### Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – unaudited

	Note	Share capital HK\$'000	Securities revaluation reserve HK\$'000	Other capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Balance at 1 January 2015</b>		1,754,801	95,783	605	3,971,842	5,823,031
<b>Changes in equity for the six months ended 30 June 2015:</b>						
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)
<b>Balance at 30 June 2015 and 1 July 2015</b>		1,754,801	130,295	605	3,951,864	5,837,565
<b>Changes in equity for the six months ended 31 December 2015:</b>						
Profit for the period		–	–	–	13,380	13,380
Other comprehensive income		–	(161,515)	–	(1,698)	(163,213)
Total comprehensive income		–	(161,515)	–	11,682	(149,833)
Dividends declared in respect of the current year	7(a)	–	–	–	(35,627)	(35,627)
<b>Balance at 31 December 2015 and 1 January 2016</b>		1,754,801	(31,220)	605	3,927,919	5,652,105
<b>Changes in equity for the six months ended 30 June 2016:</b>						
Profit for the period		–	–	–	123,695	123,695
Other comprehensive income		–	(18,022)	–	–	(18,022)
Total comprehensive income		–	(18,022)	–	123,695	105,673
Dividends approved in respect of the previous year	7(b)	–	–	–	(92,631)	(92,631)
<b>Balance at 30 June 2016</b>		1,754,801	(49,242)	605	3,958,983	5,665,147

The notes on pages 16 to 39 form part of this interim financial report.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Net cash (used in)/generated from operating activities</b>		<b>(236,462)</b>	180,606
<b>Investing activities</b>			
Payment for purchase of available-for-sale securities		(121,534)	(659,564)
Proceeds from disposal of available-for-sale securities		111,462	242,527
Payment for purchase of financial assets designated at fair value through profit or loss		–	(100,000)
Proceeds from disposal of financial assets designated at fair value through profit or loss		18,982	–
Decrease in bank deposits with maturity over three months at acquisition		283,800	–
Other cash flows arising from investing activities		11,312	19,654
<b>Net cash generated from/(used in) investing activities</b>		<b>304,022</b>	(497,383)
<b>Financing activity</b>			
Dividends paid		(92,631)	(199,513)
<b>Net cash used in financing activity</b>		<b>(92,631)</b>	(199,513)
<b>Net decrease in cash and cash equivalents</b>		<b>(25,071)</b>	(516,290)
<b>Cash and cash equivalents at 1 January</b>	16(a)	<b>2,108,057</b>	2,530,827
<b>Cash and cash equivalents at 30 June</b>	16(a)	<b>2,082,986</b>	2,014,537

The notes on pages 16 to 39 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 1. Basis of Preparation

This interim financial report has 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 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report 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.

This interim financial report contains 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 2015 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 interim financial report is unaudited, but has 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 40.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report 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:

# Notes to the Unaudited Interim Financial Report (Continued)

## 1. Basis of Preparation *(continued)*

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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 Hong Kong Companies Ordinance.

## 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. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012 – 2014 Cycle*
- *Amendments to HKAS1, Presentation of financial statements: Disclosure initiative*

These developments have had no material impact on the Group's interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## Notes to the Unaudited Interim Financial Report (Continued)

### 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.

#### 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.

## Notes to the Unaudited Interim Financial Report (Continued)

### 3. Segment Reporting *(continued)*

#### Segment results *(continued)*

The segment information for the six months ended 30 June 2016 and 2015 about these reportable segments is presented below:

#### (a) Segment revenue

	Total revenue Six months ended 30 June		Elimination of inter-segment revenue Six months ended 30 June		Revenue from external customers Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Property development	123,387	650,180	–	–	123,387	650,180
Property investment	58,848	43,003	–	21	58,848	42,982
Ferry, shipyard and related operations	78,977	66,498	1,487	2,149	77,490	64,349
Travel operation	39,628	50,171	117	158	39,511	50,013
Securities investment	7,864	3,717	–	–	7,864	3,717
Others	38,749	39,737	30,176	29,234	8,573	10,503
	<b>347,453</b>	853,306	<b>31,780</b>	31,562	<b>315,673</b>	821,744
Analysed by:						
Revenue					294,046	802,757
Other revenue					21,627	18,987
					<b>315,673</b>	821,744

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 Interim Financial Report (Continued)

### 3. Segment Reporting *(continued)*

#### Segment results *(continued)*

##### (b) Segment result

	Reportable segment profit Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Property development	106,678	134,504
Property investment <i>(note 3(d))</i>	78,828	36,318
Ferry, shipyard and related operations	4,386	8,760
Travel operation	(5,060)	(4,767)
Securities investment	(43,914)	28,648
Others <i>(note 3(e))</i>	5,989	7,617
	<b>146,907</b>	211,080

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Reportable segment profit derived from external customers	146,907	211,080
Share of profits less losses of associates	290	401
Profit before taxation in the consolidated statement of profit or loss	<b>147,197</b>	211,481

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK\$46,306,000 (2015: HK\$15,192,000).

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



## Notes to the Unaudited Interim Financial Report (Continued)

### 4. Other Net Income

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Costs adjustment ( <i>note</i> )	34,151	–
Net profit on disposal of available-for-sale securities	5,291	33,956
Net loss on disposal of financial assets designated at fair value through profit or loss	(10,040)	–
Net profit on disposal of investment properties	2,508	–
Income from sale of spare parts	215	477
Net exchange gains	55	216
Net unrealised gains on financial assets designated at fair value through profit or loss	–	1,743
Sundry income	1,544	334
	<b>33,724</b>	<b>36,726</b>

*Note:* Costs adjustment represents the revision of the original construction costs of the properties completed in prior years, confirmed by the surveyors during the six months ended 30 June 2016.

### 5. Profit Before Taxation

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	39,221	463,537
Depreciation	2,896	2,961
Dividend income from listed investments	(5,409)	(2,550)
Interest income	(11,279)	(14,044)

## Notes to the Unaudited Interim Financial Report (Continued)

### 6. Taxation

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	21,580	26,131
Over-provision in respect of prior year	(1,140)	(26)
	20,440	26,105
<b>Deferred tax</b>		
Origination and reversal of temporary differences	3,062	5,841
	23,502	31,946

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2015: 16.5%) to the six months ended 30 June 2016.

### 7. Dividends

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents (2015: HK10 cents) per ordinary share	35,627	35,627

The interim dividend declared and paid after the interim period has not been recognised as a liability at the end of the reporting period.

## Notes to the Unaudited Interim Financial Report (Continued)

### 7. Dividends *(continued)*

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

	Six months ended 30 June	
	2016 HK\$'000	2015 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 2015: 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 Nil (six months ended 30 June 2015: HK30 cents) per ordinary share	–	106,882
	<b>92,631</b>	<b>199,513</b>

### 8. Other Comprehensive Income

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Available-for-sale securities:</b>		
Changes in fair value recognised during the period	(121,245)	57,277
Reclassification adjustments for amounts transferred to profit or loss:		
– profit on disposal	56,942	(32,800)
– impairment losses	46,281	10,035
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	<b>(18,022)</b>	<b>34,512</b>

Tax effect of the above components of other comprehensive income is HK\$Nil.

## Notes to the Unaudited Interim Financial Report (Continued)

### 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\$123,695,000 (six months ended 30 June 2015: HK\$179,535,000) and 356,273,883 (2015: 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 2016 and 2015, therefore diluted earnings per share are the same as basic earnings per share for both periods.

### 10. Investment Properties

All of the Group's investment properties were revalued as at 30 June 2016. The valuations were carried out by an independent firm of surveyors, DTZ Cushman & Wakefield, using the same valuation techniques as were used by this valuer when carrying out the valuations at 31 December 2015.

Based on the valuations, a net gain of HK\$46,306,000 (2015: HK\$15,192,000) has been recognised in profit or loss during the period.

### 11. Interest in Associates

	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
Share of net assets	4,965	5,725
Amounts due from associates	12,579	12,190
	17,544	17,915
Less: impairment loss	(6,794)	(6,794)
	10,750	11,121

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

## Notes to the Unaudited Interim Financial Report (Continued)

### 12. Available-for-Sale Securities

	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
Listed debt securities outside Hong Kong	132,900	25,011
Listed equity securities		
– in Hong Kong	683,297	768,444
– outside Hong Kong	23,895	34,225
	<b>707,192</b>	802,669
	<b>840,092</b>	827,680
Market value of listed securities	<b>840,092</b>	827,680
Fair value of individually impaired available-for-sale securities	<b>178,286</b>	216,837

As at 30 June 2016, certain of the Group's listed available-for-sale equity 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\$46,281,000 (2015: HK\$10,035,000) on these investments were recognised in profit or loss during the period.

## Notes to the Unaudited Interim Financial Report (Continued)

### 13. Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
<b>Property development</b>		
Properties under development for sale	257,685	241,066
Completed properties held for sale	199,426	235,191
	<b>457,111</b>	476,257
<b>Other operations</b>		
Trading stocks	1,476	1,130
Spare parts and consumables	1,403	1,255
Work in progress	8,815	14,264
	<b>11,694</b>	16,649
	<b>468,805</b>	492,906

## Notes to the Unaudited Interim Financial Report (Continued)

### 14. Trade and Other Receivables

	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
Trade receivables	260,538	151,041
Less: allowance for doubtful debts	(2,070)	(2,070)
	<b>258,468</b>	148,971
Cash held by stakeholders	148,972	18,078
Other receivables and prepayments	63,885	46,441
	<b>471,325</b>	213,490

All of the trade and other receivables except for instalment receivables of HK\$120,992,000 (31 December 2015: HK\$88,643,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK\$48,148,000 (31 December 2015: HK\$37,111,000) 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 based on due date at the end of the reporting period:

	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
Current	235,763	125,133
1 to 3 months overdue	20,369	19,566
More than 3 months but less than 12 months overdue	2,322	4,265
More than 12 months overdue	14	7
	<b>258,468</b>	148,971

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 Interim Financial Report (Continued)

### 15. Other Financial Assets

	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
Financial assets designated at fair value through profit or loss	–	90,375

The balance as at 31 December 2015 represented investments in equity-linked notes and index-linked notes. 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. During the six months ended 30 June 2016, the Group has redeemed these investments upon maturity.

### 16. Cash and Bank Balances

(a)	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
Deposits with banks and other financial institutions	2,073,561	2,373,684
Cash at bank and in hand	9,425	18,173
Cash and bank balances in the consolidated statement of financial position	2,082,986	2,391,857
Less: Bank deposits with maturity over three months at acquisition	–	(283,800)
Cash and cash equivalents in the condensed consolidated cash flow statement	2,082,986	2,108,057

#### (b) Major non-cash transactions

During the six months ended 30 June 2016, the Group has payable in relation to additions of properties under development for sale of HK\$13,412,000 (2015: HK\$16,623,000) and additions of available-for-sale securities of HK\$61,352,000 (2015: HK\$Nil) arising from the redemption of other financial assets upon maturity (note 15). These additions have no cash flow impact to the Group.

## Notes to the Unaudited Interim Financial Report (Continued)

### 17. Trade and Other Payables

All of the trade and other payables except for an amount of HK\$12,424,000 (31 December 2015: HK\$12,492,000) are expected to be settled or recognised as income within one year. Included in the trade and other payables are amounts due to related companies of HK\$80,766,000 (31 December 2015: HK\$178,573,000) which are unsecured, interest-free and repayable within 30 – 45 days or have no fixed terms of repayment.

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:

	At 30 June 2016 (unaudited) HK\$'000	At 31 December 2015 (audited) HK\$'000
Due within 1 month or on demand	102,510	205,403
Due after 1 month but within 3 months	872	1,053
Due after 3 months but within 12 months	6	7
More than 12 months	9	9
	<b>103,397</b>	206,472

### 18. Capital and Reserves

#### Share capital

	At 30 June 2016		At 31 December 2015	
	Number of shares ( '000)	HK\$'000	Number of shares ( '000)	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 30 June/31 December	356,274	1,754,801	356,274	1,754,801

## Notes to the Unaudited Interim Financial Report (Continued)

### 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 2016 HK\$'000	Fair value measurements as at 30 June 2016 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Financial assets:				
Available-for-sale securities:				
– Listed	840,092	840,092	–	–

## Notes to the Unaudited Interim Financial Report (Continued)

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

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

(i) Fair value hierarchy *(continued)*

	Fair value at 31 December 2015 HK\$'000	Fair value measurements as at 31 December 2015 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Financial assets:				
Available-for-sale securities:				
– Listed	827,680	827,680	–	–
Financial assets				
designated at fair value				
through profit or loss	90,375	–	90,375	–

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: 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 30 June 2016 and 31 December 2015.

## Notes to the Unaudited Interim Financial Report (Continued)

### 20. Capital Commitments

Capital commitments outstanding at 30 June 2016 not provided for in this interim financial report are as follows:

	<b>At 30 June 2016 (unaudited) HK\$'000</b>	At 31 December 2015 (audited) HK\$'000
Contracted for	<b>193,357</b>	208,307
Authorised but not contracted for	<b>891</b>	891
	<b>194,248</b>	209,198

### 21. Contingent Liabilities

#### Financial guarantees issued

At 30 June 2016, 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 a bank 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 parties by its wholly-owned subsidiaries, being HK\$179,000 (31 December 2015: HK\$645,000).

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 2016, an amount of HK\$267,000 (31 December 2015: HK\$265,000) 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 2016. During the period, the Group received management and administrative fees in the total of HK\$75,000 (2015: 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\$8,000 (2015: HK\$25,000) from 2OK. At 30 June 2016, the amount advanced by the Group totalling HK\$655,000 (31 December 2015: HK\$1,169,000) 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 ("HLD Sub A") 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\$1,004,000 (2015: HK\$923,000) was charged to the Group during the period. At 30 June 2016, an amount of HK\$995,000 (31 December 2015: HK\$990,000) 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 (“HLD Sub C”) 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 for the year ended 31 December 2010 respectively.

During the period, there was no change in cost estimates. At 30 June 2016, an amount of HK\$2,294,000 (31 December 2015: 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 March 2011, the Group appointed another wholly-owned subsidiary of HLD (“HLD Sub D”) as the main contractor for a fee of 5% on all works relating to 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”). 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 HLD Sub D 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 for the year ended 31 December 2015 respectively. During the period, as a result of change in the latest cost estimates, an amount of HK\$36,266,000 (2015: HK\$9,040,000) and HK\$1,813,000 (2015: 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. At 30 June 2016, an amount of HK\$14,725,000 (31 December 2015: HK\$131,938,000), which included amounts payable to other subcontractors through the main contractor, remained unpaid and was included in trade and other payables.

## Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (vi) In September 2013, the Group appointed HLD Sub A as the project manager of the development of Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong (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 the respective ceilings for the year ended 31 December 2013 of HK\$1,300,000, for the years ended 31 December 2014 and 31 December 2015 of HK\$2,300,000 respectively, and for the year ending 31 December 2016 of HK\$600,000. A total fee of HK\$595,000 (2015: HK\$943,000) was charged to the Group during the period. At 30 June 2016, an amount of HK\$595,000 (31 December 2015: HK\$2,480,000) remained unpaid and was included in trade and other payables.
- (vii) In December 2013, the Group appointed another wholly-owned subsidiary of HLD ("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 years ended 31 December 2014 and 31 December 2015 of HK\$2,500,000 and HK\$1,000,000 respectively, and for the year ending 31 December 2016 of HK\$1,500,000. No fee has been charged during the period. A total fee of HK\$67,000 was charged to the Group for the six months ended 30 June 2015.
- (viii) In March 2014, 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 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\$5,664,000 (2015: HK\$5,658,000), being aggregate rental and fees receivable under the aforementioned lease and licences, was credited to the Group.



## Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (ix) 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 in April 2015.

In March 2015, the Group entered into a second 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 second letter agreement expired in July 2015.

In July 2015, the Group entered into a third 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. The third letter agreement expired in October 2015.

No fee has been charged during the period. A total fee of HK\$1,684,000 was charged to the Group for the six months ended 30 June 2015. At 30 June 2016, an amount of HK\$560,000 (31 December 2015: HK\$596,000) remained unpaid and was included in trade and other payables.

- (x) In October 2015, the Group appointed HLD Sub A as the project manager of the comprehensively planned development consisting of residential component together with ancillary supporting facilities at 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the “TCS Property”) (the “Proposed TCS Development”) for a term of three years commencing from 2 November 2015 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the Proposed TCS Development, subject to the annual ceilings for the year ended 31 December 2015 of HK\$1,500,000, and for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 of HK\$4,100,000, HK\$1,600,000 and HK\$1,500,000 respectively. A total fee of HK\$344,000 (2015: HK\$Nil) was charged to the Group during the period. At 30 June 2016, an amount of HK\$344,000 (31 December 2015: HK\$Nil) remained unpaid and was included in trade and other payables.

## Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (xi) In October 2015, the Group appointed HLD Sub C as the main contractor of the Proposed TCS Development for a fee of 5% on all works of the Proposed TCS Development. 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 subject to the annual ceilings for the year ended 31 December 2015 of HK\$1,260,000, and for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 of HK\$19,990,000, HK\$16,740,000 and HK\$970,000 respectively. In accordance with the contract entered into the Group, an amount of HK\$17,028,000 (2015: HK\$Nil), of which HK\$811,000 (2015: HK\$Nil) 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 TCS Property during the period. At 30 June 2016, an amount of HK\$17,028,000 (31 December 2015: HK\$2,606,000) remained unpaid and was included in trade and other payables.
- (xii) In October 2015, the Group appointed HLD Sub B as the sales manager of the Proposed TCS Development for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed TCS Development in consideration of a sales fee of 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by third party sales agent(s)) subject to the annual ceilings for the year ended 31 December 2015 of HK\$700,000, and for the years ending 31 December 2016, 31 December 2017 and 31 December 2018 of HK\$2,000,000, HK\$600,000 and HK\$200,000 respectively. A total fee of HK\$120,000 (2015: HK\$Nil) was charged to the Group during the period. At 30 June 2016, an amount of HK\$120,000 (31 December 2015: HK\$Nil) remained unpaid and was included in trade and other payable.

## Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (xiii) In October 2015, 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 for the marketing services of the TCS Property for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK\$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK\$3,600,000 for the period from 1 January 2016 to 4 January 2017.

A total fee of HK\$1,646,000 (2015: HK\$Nil) was charged to the Group during the period. At 30 June 2016, an amount of HK\$1,471,000 (31 December 2015: HK\$1,677,000) remained unpaid and was included in trade and other payables.

- (xiv) At 30 June 2016, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (31 December 2015: 33.41%) of the total number of issued shares of the Company.

Dr. Lee Shau Kee, being a director of the Company, is deemed to have 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)(v), (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).

## Notes to the Unaudited Interim Financial Report (Continued)

### 23. Non-Adjusting Events after the Reporting Period

- (a) After the end of the reporting period, the directors declared the interim dividend. Further details are disclosed in note 7(a).
- (b) On 14 July 2016, the Company, entered into a sale and purchase agreement (the “S&P Agreement”) with Miramar Travel Limited (“Miramar Travel”), being a related party of the Group, in relation to (i) the Company agreed to sell, and Miramar Travel agreed to purchase, all the issued shares of HYFCO Travel Agency Limited (“HYFCO Travel”), a direct wholly-owned subsidiary of the Company, together with its direct wholly-owned subsidiary, HYFCO Travel Agency (Macau) Limited (“HYFCO Travel Group”), which is principally engaged in the travel business in Hong Kong and Macau; and (ii) the transfer and assignment by the Company, and the taking of the assignment by Miramar Travel, of the benefit of all amounts of shareholder’s loan owing by HYFCO Travel to the Company immediately prior to completion of the sale and purchase in accordance with the terms and conditions of the S&P Agreement, at an aggregate consideration based on an agreed value of HK\$5,000,000, subject to adjustments.

The sale and purchase has not yet completed up to the date of approval of this interim financial report and would be subject to the fulfilment of certain conditions precedent. The above transactions constituted a discloseable and connected transaction under the Listing Rules. Details of the transactions were disclosed in the Company’s announcements dated 10 June 2016 and 14 July 2016.

- (c) On 8 August 2016, Win Standard Enterprises Limited (the “Joint Venture Company”), a joint venture company held indirectly by the Company as to 50% and Empire Group Holdings Limited, an independent third party, as to 50%, received an acceptance letter from the Lands Department of the Government of the Hong Kong Special Administrative Region (the “Government”) confirming that the Joint Venture Company’s tender submitted for Tuen Mun Town Lot No. 547 located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories (the “Land”) at a land premium of HK\$2,709 million (the “Land Premium”) had been accepted by the Government. The balance of the Land Premium would be payable by early September 2016. A memorandum of agreement would be expected to be entered into between the Government and the Joint Venture Company.

### 24. Comparative Figures

Certain comparative figures have been reclassified to conform to current period’s presentation.

# 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 interim financial report set out on pages 10 to 39 which comprises the consolidated statement of financial position of Hong Kong Ferry (Holdings) Company Limited (the “Company”) as of 30 June 2016 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 an interim financial report 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 interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 interim financial report 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 interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

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19 August 2016





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