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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香港小輪（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 50)

2018 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 – unaudited

	Note	Six months ended 30 June	
		2018	2017
		HK\$'000	(restated) HK\$'000
Revenue	3(a)	924,615	227,798
Direct costs		(591,252)	(112,237)
		333,363	115,561
Other revenue	3(a)	25,942	30,764
Other net income	4	634	25,991
Valuation gains on investment properties	3(d)	17,805	29,674
Selling and marketing expenses		(30,593)	(9,538)
Administrative expenses		(25,291)	(21,972)
Other operating expenses		(2,068)	(1,411)
Profit from operations	3(b)	319,792	169,069
Share of profits less losses of associates		508	391
Share of loss of a joint venture		(5)	(85)
Profit before taxation	5	320,295	169,375
Taxation	6	(47,397)	(17,364)
Profit attributable to equity shareholders of the Company		272,898	152,011
Earnings per share (HK\$)			
– Basic and diluted	9	0.77	0.43

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 2018 – unaudited

	Note	Six months ended 30 June	
		2018	2017 (restated)
		HK\$'000	HK\$'000
Profit attributable to equity shareholders of the Company		272,898	152,011
Other comprehensive income for the period (after tax and reclassification adjustments):	8		
Item that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(20,943)	–
Item that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)		(2,923)	–
Available-for-sale securities:			
net movement in securities revaluation reserve (recycling)		–	31,755
		(23,866)	31,755
Total comprehensive income attributable to equity shareholders of the Company		249,032	183,766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		At 30 June 2018 (unaudited)		At 31 December 2017 (restated)	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties			2,125,390		2,107,585
Other property, plant and equipment			54,053		56,123
Interest in leasehold land			39,715		40,400
			<u>2,219,158</u>		<u>2,204,108</u>
Interest in associates			8,483		9,109
Interest in a joint venture			1,364,290		1,364,295
Other financial assets			361,139		176,306
Deferred tax assets			2,736		5,294
			<u>3,955,806</u>		<u>3,759,112</u>
Current assets					
Inventories			92,159		575,046
Trade and other receivables	10		433,105		629,533
Cash and bank balances			1,849,496		1,791,679
Tax recoverable			25,551		36,583
			<u>2,400,311</u>		<u>3,032,841</u>
Current liabilities					
Trade and other payables	11		133,342		750,659
Tax payable			45,271		16,230
			<u>178,613</u>		<u>766,889</u>
Net current assets			<u>2,221,698</u>		<u>2,265,952</u>
Total assets less current liabilities			<u>6,177,504</u>		<u>6,025,064</u>
Non-current liabilities					
Net employee retirement benefits liabilities			3,693		3,024
Deferred tax liabilities			57,649		55,153
			<u>61,342</u>		<u>58,177</u>
NET ASSETS			<u>6,116,162</u>		<u>5,966,887</u>
CAPITAL AND RESERVES					
Share capital			1,754,801		1,754,801
Reserves			4,361,361		4,212,086
TOTAL EQUITY			<u>6,116,162</u>		<u>5,966,887</u>

NOTES:

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from that report.

The 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").

The financial information relating to the financial year ended 31 December 2017 that is included in this preliminary announcement of the interim results 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 2017 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 a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

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

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Therefore, comparative information continues to be reported under HKAS 39.

Details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification of financial assets and financial liabilities

Under HKAS 39, debt securities not held for trading were classified as available-for-sale financial assets and measured at fair value. These debt securities are classified as at fair value through other comprehensive income (recycling) under HKFRS 9. The subsequent measurement and accounting policies do not materially differ from those adopted by the Group as at 31 December 2017.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 9, *Financial instruments* (Continued)

(b) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit losses (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to trade and other receivables. The adoption of the new ECL model has no significant impact to the financial statements of the Group.

HKFRS 15, *Revenue from contracts with customers*

The Group has elected to use the retrospective method upon transition and has recognised the effect of initial application retrospectively to the each prior reporting period. Therefore, comparative information has been restated to be reported under HKFRS 15.

Details of the nature and effect of the changes arising from HKFRS 15, *Revenue from contracts with customers*, to previous accounting policies are set out below:

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The adoption of HKFRS 15 has an impact on when the Group recognises revenue from property sales.

The Group’s property development activities are carried out in Hong Kong only. Taking into account the contract terms, the Group’s business practice and the legal and regulatory environment of Hong Kong, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue from sale of properties will be adjusted when significant financing component exists in that contract. Stamp duty, sales commissions and other costs only incurred if the amount is obtained, if recoverable, are capitalised as contract costs and subsequently amortised when the related revenue is recognised.

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 four reportable segments.

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

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as 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.

3. SEGMENT REPORTING (Continued)

Segment results (Continued)

The segment information for the six months ended 30 June 2018 and 2017 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	
	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	770,350	100,694	–	–	770,350	100,694
Property investment	68,625	65,501	–	–	68,625	65,501
Ferry, shipyard and related operations	87,571	74,798	550	592	87,021	74,206
Securities investment	9,107	10,277	–	–	9,107	10,277
Others	49,730	36,892	34,276	29,008	15,454	7,884
	<u>985,383</u>	<u>288,162</u>	<u>34,826</u>	<u>29,600</u>	<u>950,557</u>	<u>258,562</u>
Analysed by:						
Revenue					924,615	227,798
Other revenue					25,942	30,764
					<u>950,557</u>	<u>258,562</u>

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

Revenue represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

(b) Segment result

	Reportable segment profit Six months ended 30 June	
	2018	2017 (restated)
	HK\$'000	HK\$'000
Property development	239,610	56,976
Property investment (note 3(d))	52,265	64,402
Ferry, shipyard and related operations	7,177	7,852
Securities investment	7,964	34,452
Others (note 3(e))	12,776	5,387
	<u>319,792</u>	<u>169,069</u>

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2018	2017 (restated)
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	319,792	169,069
Share of profits less losses of associates and a joint venture	503	306
	<u>320,295</u>	<u>169,375</u>

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$17,805,000 (2017: HK\$29,674,000).

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

4. OTHER NET INCOME

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Bad debt recovered	311	–
Net profit on disposal of other non-current financial assets	86	–
Costs adjustment (<i>note</i>)	–	106
Net profit on disposal of available-for-sale securities	–	21,995
Net profit on disposal of financial assets designated at fair value through profit or loss	–	2,930
Fair value change of financial assets designated at fair value through profit or loss	(944)	–
Income from sale of spare parts	131	560
Net exchange losses	(8)	(35)
Sundry income	1,058	435
	<u>634</u>	<u>25,991</u>

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 2017.

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the amount as set out below:

	Six months ended 30 June	
	2018	2017
	HK\$'000	(restated) HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	507,866	31,802
Depreciation	2,716	2,928
Dividend income from listed investments	(4,739)	(2,616)
Interest income	(20,108)	(17,737)
	<u>(20,108)</u>	<u>(17,737)</u>

6. TAXATION

	Six months ended 30 June	
	2018	2017
	HK\$'000	(restated) HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	42,343	15,247
Over-provision in respect of prior year	–	(46)
	<u>42,343</u>	<u>15,201</u>
Deferred tax		
Origination and reversal of temporary differences	5,054	2,163
	<u>5,054</u>	<u>2,163</u>
	<u>47,397</u>	<u>17,364</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) to the estimated assessable profits for the six months ended 30 June 2018.

7. DIVIDENDS

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents (2017: HK10 cents) per ordinary share	<u>35,627</u>	<u>35,627</u>

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

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK28 cents (six months ended 30 June 2017: HK26 cents) per ordinary share	<u>99,757</u>	<u>92,631</u>

8. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	–	54,403
Reclassification adjustments for amounts transferred to profit or loss:		
– profit on disposal	(180)	(22,648)
Financial assets designated at fair value through other comprehensive income – net movement in fair value reserve (recycling)	<u>(2,743)</u>	<u>–</u>
	<u><u>(2,923)</u></u>	<u><u>31,755</u></u>
Item that will not be reclassified to profit or loss:		
Financial assets designated at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<u>(20,943)</u>	<u>–</u>
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	<u><u>(23,866)</u></u>	<u><u>31,755</u></u>

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

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\$272,898,000 (six months ended 30 June 2017 (restated): HK\$152,011,000) and 356,273,883 (2017: 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 2018 and 2017, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 (unaudited) HK\$'000	At 31 December 2017 (restated) HK\$'000
	Trade receivables	317,972
Less: allowance for doubtful debts	<u>(2,062)</u>	<u>(2,151)</u>
	315,910	292,946
Cash held by stakeholders	–	120,675
Other receivables and prepayments	90,706	190,538
Amount due from a joint venture	<u>26,489</u>	<u>25,374</u>
	<u><u>433,105</u></u>	<u><u>629,533</u></u>

10. TRADE AND OTHER RECEIVABLES (Continued)

All of the trade and other receivables except for instalment receivables of HK\$240,730,000 (31 December 2017: HK\$220,829,000) 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\$55,680,000 (31 December 2017: HK\$54,889,000) which are unsecured, interest-free and have no fixed terms of repayment.

The amount due from a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and has no fixed terms of repayment. During the period and as at 30 June 2018, the balance did not bear any interest.

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 2018 (unaudited) HK\$'000	At 31 December 2017 (restated) HK\$'000
Current	273,072	260,255
1 to 3 months overdue	37,264	27,137
More than 3 months but less than 12 months overdue	2,118	3,518
More than 12 months overdue	<u>3,456</u>	<u>2,036</u>
	<u>315,910</u>	<u>292,946</u>

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

11. TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK\$11,677,000 (31 December 2017: HK\$10,743,000) 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\$63,854,000 (31 December 2017: HK\$77,154,000) which are unsecured, interest-free and repayable within 30 to 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 2018 (unaudited) HK\$'000	At 31 December 2017 (audited) HK\$'000
Due within 1 month or on demand	79,488	98,595
Due after 1 month but within 3 months	1,352	1,274
More than 12 months	<u>9</u>	<u>9</u>
	<u>80,849</u>	<u>99,878</u>

12. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is restated for HKFRS 15. Further details of the changes in accounting policies are disclosed in note 2.

INTERIM RESULTS AND DIVIDENDS

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2018 amounted to HK\$273 million, representing an increase of 80% as compared with the figure for the first half year of 2017. Earnings per share amounted to HK\$0.77 as compared with HK\$0.43 (restated) over the corresponding period of 2017.

The Board of Directors declared an interim dividend of HK10 cents per share (2017: interim dividend of HK10 cents per share) in respect of the year ending 31 December 2018. The interim dividend will be paid on or about Thursday, 27 September 2018 to shareholders whose names appear on the register of members at the close of business on Tuesday, 18 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The local economy has sustained the growth momentum since last year with 4% growth in the first half of this year. The number of incoming visitors rebound and the unemployment rate remained at an extremely low level below 3%. Inflation was tame and the inflation rate rose by 2.3% in the first half as compared with the same period last year. However, the property market was robust, and the residential units price index touched its new high for 20 consecutive months. The average residential price exceeded the 1997 peak by 113%.

During the period, the profit of the Group was mainly derived from the sale of residential units of Harbour Park.

Property Development and Investment Operations

During the period, the profit of the Group from the sale of residential units of Harbour Park, Metro6 and Green Code amounted to HK\$190 million. Most of the residential units of Harbour Park had been delivered to the buyers by the end of June 2018.

The leasing of the rental properties of the Group was satisfactory during the period. The gross rental income from the commercial arcades amounted to HK\$50 million. At the end of the reporting period, the commercial arcades of Shining Heights, The Spectacle and Metro6 were fully let whereas the occupancy rates of the commercial arcades of Metro Harbour View and Green Code were 99% and 96% respectively.

In June 2018, the Group was awarded the contract of Tung Chau Street / Kweilin Street redevelopment project in Sham Shui Po by the Urban Renewal Authority at a consideration of HK\$1,029.2 million. The Group will be responsible for the construction of the project. The project has a gross floor area of about 144,345 square feet. Upon redevelopment, the Group will be entitled to the residential gross floor area of about 97,845 square feet. The project is expected to be completed in late 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Joint Venture Company

The construction of the Group's 50%/50% joint venture project with Empire Development Hong Kong Limited located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories is in good progress and is expected to be completed in early 2022.

The project under construction consists of six residential towers providing about 1,663 units with sea view or landscape view. The gross floor area of the project is about 663,000 square feet.

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK\$7.2 million, a decrease of 8.6% as compared to the same period last year.

Securities Investment

A profit of HK\$8 million was recorded in the Group's securities investment during the period.

Prospects

The intensified Sino-US trade war, the outbreak of the Turkish monetary crisis, the necessity for the local banks to follow the US interest rate hike in the second half year and the tendency of a weakening in the Chinese economy all have certain negative impacts on the local economy in the second half year.

The Group's major investment is property development. According to the estimate provided by the Transport and Housing Bureau, the potential supply of first-hand residential units will fall to 93,000 units in the next three to four years, whilst the demand for small to medium sized residential units is still buoyant. It is expected that residential property prices will be range-bound in the second half year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

Review of Results

During the six months ended 30 June 2018, the Group's revenue amounted to HK\$925 million, representing an increase of 306% as compared with the same period last year. This was mainly attributable to the sales of Harbour Park.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2018 was HK\$273 million, representing an increase of 80% as compared with a profit of HK\$152 million (restated) for the same period last year. The reason for the increase in profit is already mentioned in the section of Management Discussion and Analysis of this announcement.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, shareholders' funds of the Group amounted to HK\$6,116 million, representing a slight increase of 2.5% as compared with the corresponding figure as at 31 December 2017. The increase was mainly due to the net effect of the proceeds realised from the sale of residential units, the gains on revaluation of the Group's investment properties, profit on securities investment and the payment of dividends.

There was no change to the capital structure of the Group during the period.

As at 30 June 2018, current assets of the Group stood at HK\$2,400 million and current liabilities was HK\$179 million. Current ratio of the Group increased from 3.95 (restated) as at 31 December 2017 to 13.4 as at 30 June 2018, mainly due to the decrease in trade and other payables.

Charge of Assets

As at 30 June 2018, shares in the Joint Venture Company were charged to secure a loan facility made available by banks to the Joint Venture Company. Details of the loan facility, the relevant guarantees granted and the securities provided are set out in notes to the unaudited Interim Financial Report.

Gearing Ratio and Financial Management

As there was no borrowing, gearing ratio was not shown. The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

Employees

As at 30 June 2018, the Group employed about 210 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, 17 September 2018 and Tuesday, 18 September 2018, 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 Friday, 14 September 2018.

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 of Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific 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 2018.

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, is 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.

OTHER INFORMATION (Continued)

Audit Committee

The Audit Committee has met in August 2018 and reviewed the accounting principles and practices adopted by the Group and have also discussed interim review, internal control and financial reporting matters with the management. The unaudited interim financial report for the six months ended 30 June 2018 has been reviewed with no disagreement by the Audit Committee.

The interim financial report for the six months ended 30 June 2018 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, whose unmodified review report is included in the interim financial report to be sent to shareholders.

Remuneration Committee

The Remuneration Committee held its meeting in June 2018. The Remuneration Committee currently comprises four independent non-executive directors and two executive directors.

Publication of Interim Results and Interim Financial Report

This interim results announcement is published on Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.hkf.com. The 2018 Interim Financial Report of the Company will be dispatched to the shareholders of the Company and will be available on both websites in due course.

On behalf of the Board
Dr. Lam Ko Yin, Colin
Chairman

Hong Kong, 17 August 2018

As at the date of this announcement, the executive directors of the Company are Dr. Lam Ko Yin, Colin (Chairman) and Mr. Li Ning; the non-executive directors are Mr. Au Siu Kee, Alexander, Mr. Lau Yum Chuen, Eddie, Dr. Lee Shau Kee and Mr. Wong Man Kong, Peter; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.