HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香 港 小 輪 （ 集 團 ） 有 限 公 司

(Stock Code 股份代號：50)

2018

INTERIM REPORT 中期報告

15 years+ 商界展關懷 caringcompany

Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

90+ (since 1923)

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 (the "Board") 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.

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.

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 report.

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 note 20 on page 39 and note 21(a)(xii) on page 46 to the 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, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") 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 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.

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 Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included on page 48.

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.

Directors' Information

The Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders.

Disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules

As at 30 June 2018, the Group had granted financial assistance and a guarantee to Win Standard Enterprises Limited, the Joint Venture Company held indirectly by the Company as to 50% and Empire Development Hong Kong Limited ("Empire Group") as to 50% as set out below:

	Group's attributable interest	**Amount of advances made by the Group**	**Guarantee given for the Joint Venture Company in respect of a bank facility**	**Total financial assistance made available by the Group**
		Note 1	*Note 2*	
		HK$'000	*HK$'000*	*HK$'000*
The Joint Venture Company	50%	1,390,804	1,500,000	2,890,804

Notes:

1. Such advances were funded (in proportion to the Group's 50% equity interest in the Joint Venture Company) by the Group's internal resources and from its cash deposits, to finance the payment of the land premium of HK$2,708,800,000 and professional fees incurred in relation to the acquisition of Tuen Mun Town Lot No. 547 located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong (the "Land") from the Government by public tender.

2. In May 2017, a loan facility agreement was entered into among, among others, the Joint Venture Company (as borrower), the Company (as guarantor), related companies of Empire Group (as guarantor and obligor), and the financial institutions named therein (as lenders) in relation to a term loan facility in the aggregate principal amount of HK$3,000,000,000 for the purpose of financing and refinancing the demolition cost, construction cost and professional fees in relation to the development on the Land and the selling and marketing expenses in relation thereto. The loan facility is secured by, among others, a corporate guarantee granted by the Company in respect of 50% of the loan facility.

The advances made by the Group to the Joint Venture Company consisted of an amount due from the Joint Venture Company and a loan to the Joint Venture Company. The amount due from the Joint Venture Company was unsecured, interest-bearing at a rate to be agreed between the Group and Empire Group and have no fixed terms of repayment (subject to the deed of subordination and assignment in favour of the lenders of the loan facility). The loan to the Joint Venture Company was unsecured, interest-bearing at a rate to be agreed between the Group and Empire Group and recoverable on demand (subject to the deed of subordination and assignment in favour of the lenders of the loan facility).

Disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules

(continued)

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies (as defined in the Listing Rules) with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2018 are presented as follows:

	Combined statement of financial position *HK$'000*	**Group's attributable interests** *HK$'000*
Non-current assets	13,768	6,884
Current assets	2,823,962	1,411,982
Current liabilities	(77,429)	(38,715)
Total assets less current liabilities	2,760,301	1,380,151
Non-current liabilities	(2,774,396)	(1,387,198)
Net liabilities	(14,095)	(7,047)

The combined statement of financial position of the Company's affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2018.

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

Hong Kong, 17 August 2018

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 30 June 2018, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Interests

	THE COMPANY				
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*	**Total Interests** *Number of Shares*	**Approximate percentage of the total number of issued shares**
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Dr. Lee Shau Kee	799,220	119,017,090 *(Note 5 on page 11)*	–	119,816,310	33.63%
Mr. Leung Hay Man	2,250	–	–	2,250	0.00%
Mr. Li Ning	–	–	119,017,090 *(Note 4 on page 11)*	119,017,090	33.41%
Mr. Wong Man Kong, Peter	1,051,000	–	–	1,051,000	0.29%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

	2OK COMPANY LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 1)*	5	–
Mr. Li Ning *(Note 2)*	–	5

Directors' Interests in Securities *(continued)*

Interests *(continued)*

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

Notes:

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

2. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest and HD had the remaining 60% indirect 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 the respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 70 shares in Winwide Limited.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2018.

Substantial Shareholders and Others

As at 30 June 2018, 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
Substantial Shareholders		
Henderson Land Development Company Limited *(Note 1)*	119,017,090	33.41%
Pataca Enterprises Limited *(Note 1)*	119,017,090	33.41%
Wiselin Investment Limited *(Note 1)*	48,817,090	13.70%
Henderson Development Limited *(Note 2)*	119,017,090	33.41%
Hopkins (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Rimmer (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Riddick (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Mr. Li Ning *(Note 4)*	119,017,090	33.41%
Dr. Lee Shau Kee *(Note 5)*	119,816,310	33.63%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	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 the 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 2018.

Save as disclosed, as at 30 June 2018, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 – unaudited

		Six months ended 30 June	
		2018	2017 (restated)
	Note	***HK$'000***	*HK$'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	*9*		
– Basic and diluted		**$0.77**	$0.43

The notes on pages 18 to 47 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 2018 – unaudited

		Six months ended 30 June	
		2018	2017 (restated)
	Note	***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)**	–
Items 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

The notes on pages 18 to 47 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2018

	Note	At 30 June 2018 (unaudited) HK$'000	HK$'000	At 31 December 2017 (restated) HK$'000	HK$'000
Non-current assets					
Investment properties	*10*		**2,125,390**		2,107,585
Other property, plant and equipment			**54,053**		56,123
Interest in leasehold land			**39,715**		40,400
			2,219,158		2,204,108
Interest in associates	*11*		**8,483**		9,109
Interest in a joint venture	*12*		**1,364,290**		1,364,295
Other financial assets			**361,139**		176,306
Deferred tax assets			**2,736**		5,294
			3,955,806		3,759,112
Current assets					
Inventories	*13*	**92,159**		575,046	
Trade and other receivables	*14*	**433,105**		629,533	
Cash and bank balances	*15*	**1,849,496**		1,791,679	
Tax recoverable		**25,551**		36,583	
		2,400,311		3,032,841	

Consolidated Statement of Financial Position *(continued)*

At 30 June 2018

	Note	At 30 June 2018 (unaudited) HK$'000	HK$'000	At 31 December 2017 (restated) HK$'000	HK$'000
Current liabilities					
Trade and other payables	*16*	**133,342**		750,659	
Tax payable		**45,271**		16,230	
		178,613		766,889	
Net current assets			**2,221,698**		2,265,952
Total assets less current liabilities			**6,177,504**		6,025,064
Non-current liabilities					
Net employee retirement benefits liabilities		**3,693**		3,024	
Deferred tax liabilities		**57,649**	**61,342**	55,153	58,177
NET ASSETS			**6,116,162**		5,966,887
CAPITAL AND RESERVES					
Share capital	*17*		**1,754,801**		1,754,801
Reserves			**4,361,361**		4,212,086
TOTAL EQUITY			**6,116,162**		5,966,887

The notes on pages 18 to 47 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited

	Note	Share capital HK$'000	Securities revaluation reserve (recycling) HK$'000	Securities revaluation reserve (non-recycling) HK$'000	Other capital reserves HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2017, as previously reported		1,754,801	(2,349)	–	605	4,036,988	5,790,045
Effect of adoption of HKFRS 15	2	–	–	–	–	(8,715)	(8,715)
As restated		1,754,801	(2,349)	–	605	4,028,273	5,781,330
Changes in equity for the six months ended 30 June 2017:							
Profit for the period, as previously reported		–	–	–	–	166,921	166,921
Effect of adoption of HKFRS 15	2	–	–	–	–	(14,910)	(14,910)
As restated		–	–	–	–	152,011	152,011
Other comprehensive income		–	31,755	–	–	–	31,755
Total comprehensive income		–	31,755	–	–	152,011	183,766
Dividends approved in respect of the previous year	7(b)	–	–	–	–	(92,631)	(92,631)
Balance at 30 June 2017 and 1 July 2017		1,754,801	29,406	–	605	4,087,653	5,872,465
Changes in equity for the six months ended 31 December 2017:							
Profit for the period, as previously reported		–	–	–	–	179,371	179,371
Effect of adoption of HKFRS 15	2	–	–	–	–	(20,257)	(20,257)
As restated		–	–	–	–	159,114	159,114
Other comprehensive income		–	(31,190)	–	–	2,125	(29,065)
Total comprehensive income		–	(31,190)	–	–	161,239	130,049
Dividends declared in respect of the current year	7(a)	–	–	–	–	(35,627)	(35,627)
Balance at 31 December 2017 and 1 January 2018		**1,754,801**	**(1,784)**	**–**	**605**	**4,213,265**	**5,966,887**
Changes in equity for the six months ended 30 June 2018:							
Profit for the period		**–**	**–**	**–**	**–**	**272,898**	**272,898**
Other comprehensive income		**–**	**(2,923)**	**(20,943)**	**–**	**–**	**(23,866)**
Total comprehensive income		**–**	**(2,923)**	**(20,943)**	**–**	**272,898**	**249,032**
Dividends approved in respect of the previous year	7(b)	**–**	**–**	**–**	**–**	**(99,757)**	**(99,757)**
Balance at 30 June 2018		**1,754,801**	**(4,707)**	**(20,943)**	**605**	**4,386,406**	**6,116,162**

The notes on pages 18 to 47 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 – unaudited

	Note	Six months ended 30 June 2018 HK$'000	2017 (restated) HK$'000
Net cash generated from operating activities		**340,639**	433,847
Investing activities			
Payment for purchase of other financial assets		**(282,657)**	(64,213)
Proceeds from disposal of other financial assets		**73,100**	344,786
Proceeds from disposal of other financial assets designated at fair value through profit or loss		**–**	22,930
Increase in bank deposits with maturity over three months at acquisition		**(747,025)**	–
Other cash flows arising from investing activities		**26,492**	(2,002)
Net cash (used in)/generated from investing activities		**(930,090)**	301,501
Financing activity			
Dividends paid		**(99,757)**	(92,631)
Net cash used in financing activity		**(99,757)**	(92,631)
Net (decrease)/increase in cash and cash equivalents		**(689,208)**	642,717
Cash and cash equivalents at 1 January		**1,791,679**	949,449
Cash and cash equivalents at 30 June	*15(a)*	**1,102,471**	1,592,166

The notes on pages 18 to 47 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”). It was authorised for issue on 17 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 48.

The financial information relating to the financial year ended 31 December 2017 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:

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.

1. Basis of Preparation *(continued)*

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

2. Changes in Accounting Policies

The HKICPA has issued a number of new 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.

2. Changes in Accounting Policies *(continued)*

HKFRS 9, *Financial instruments* *(continued)*

Further 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

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2. Changes in Accounting Policies *(continued)*

HKFRS 9, *Financial instruments* *(continued)*

(a) Classification of financial assets and financial liabilities *(continued)*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other revenue.

The following table shows the original measurement categories for each impacted class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets classified as available-for-sale under HKAS 39 *(note (i))*			
Listed debt securities	176,306	(176,306)	–
	176,306	(176,306)	–
Financial assets measured at FVOCI (recycling) *(note (i))*			
Listed debt securities	–	176,306	176,306
	–	176,306	176,306

2. Changes in Accounting Policies *(continued)*

HKFRS 9, *Financial instruments* *(continued)*

(a) Classification of financial assets and financial liabilities *(continued)*

(i) 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 FVOCI (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.

(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.

2. Changes in Accounting Policies *(continued)*

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.

The following tables gives a summary of the transition adjustments recognised for each line item in the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss for the six months ended 30 June 2017.

(a) Effect on the consolidated statement of financial position as at 31 December 2017

	As previously reported	**Impact on initial application of HKFRS 15**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	5,036	258	5,294
Other non-current assets	3,753,818	–	3,753,818
Total non-current assets	**3,758,854**	**258**	**3,759,112**
Inventories	559,490	15,556	575,046
Trade and other receivables	690,613	(61,080)	629,533
Cash and bank balances	1,791,679	–	1,791,679
Tax recoverable	27,860	8,723	36,583
Total current assets	**3,069,642**	**(36,801)**	**3,032,841**
Trade and other payables	743,320	7,339	750,659
Tax payable	16,230	–	16,230
Total current liabilities	**759,550**	**7,339**	**766,889**
Net current assets	**2,310,092**	**(44,140)**	**2,265,952**
Total assets less current liabilities	**6,068,946**	**(43,882)**	**6,025,064**
Non-current liabilities	**58,177**	**–**	**58,177**
Net assets	**6,010,769**	**(43,882)**	**5,966,887**
Share capital	1,754,801	–	1,754,801
Reserves	4,255,968	(43,882)	4,212,086
Total equity	**6,010,769**	**(43,882)**	**5,966,887**

2. Changes in Accounting Policies *(continued)*

HKFRS 15, *Revenue from contracts with customers* *(continued)*

(b) Effect on the consolidated statement of profit or loss for the six months ended 30 June 2017

	As previously reported *HK$'000*	Impact on initial application of HKFRS 15 *HK$'000*	As restated *HK$'000*
Revenue	239,516	(11,718)	227,798
Direct costs	(107,477)	(4,760)	(112,237)
	132,039	**(16,478)**	**115,561**
Other revenue	30,764	–	30,764
Other net income	25,991	–	25,991
Valuation gains on investment properties	29,674	–	29,674
Selling and marketing expenses	(8,251)	(1,287)	(9,538)
Administrative expenses	(21,972)	–	(21,972)
Other operating expenses	(1,411)	–	(1,411)
Profit from operations	**186,834**	**(17,765)**	**169,069**
Share of profits less losses of associates	391	–	391
Share of loss of a joint venture	(85)	–	(85)
Profit before taxation	**187,140**	**(17,765)**	**169,375**
Taxation	(20,219)	2,855	(17,364)
Profit attributable to equity shareholders of the Company	**166,921**	**(14,910)**	**152,011**
Earnings per share – Basic and diluted	$0.47		$0.43

2. Changes in Accounting Policies *(continued)*

HKFRS 15, *Revenue from contracts with customers* *(continued)*

(b) Effect on the consolidated statement of profit or loss for the six months ended 30 June 2017 *(continued)*

Further 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.

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

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

2. Changes in Accounting Policies *(continued)*

HKFRS 15, *Revenue from contracts with customers* *(continued)*

(b) Effect on the consolidated statement of profit or loss for the six months ended 30 June 2017 *(continued)*

Timing of revenue recognition *(continued)*

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.

As a result of this change in policy, the Group has made adjustments as illustrated in tables (a) and (b).

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
	985,383	288,162	**34,826**	29,600	**950,557**	258,562
Analysed by :						
Revenue					**924,615**	227,798
Other revenue					**25,942**	30,764
					950,557	258,562

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.

3. Segment Reporting *(continued)*

Segment results *(continued)*

(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
	319,792	169,069

(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
Profit before taxation in the consolidated statement of profit or loss	**320,295**	169,375

(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 *(note)*	**–**	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 FVPL	**(944)**	–
Income from sale of spare parts	**131**	560
Net exchange losses	**(8)**	(35)
Sundry income	**1,058**	435
	634	25,991

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 amounts as set out below:

	Six months ended 30 June	
	2018	2017 (restated)
	HK$'000	*HK$'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)

6. Taxation

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

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	**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.

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	
	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	**99,757**	92,631

8. Other Comprehensive Income

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'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)	**(2,743)**	–
	(2,923)	31,755
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)	**(20,943)**	–
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	**(23,866)**	31,755

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. Investment Properties

All of the Group's investment properties were revalued as at 30 June 2018. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, using the same valuation techniques as were used by this valuer when carrying out the valuations at 31 December 2017.

Based on the valuations, a net gain of HK$17,805,000 (2017: HK$29,674,000) has been recognised in profit or loss during the period.

11. Interest in Associates

	At 30 June 2018 (unaudited) *HK$'000*	At 31 December 2017 (audited) *HK$'000*
Share of net (liabilities)/assets	**(425)**	147
Amounts due from associates	**15,702**	15,756
	15,277	15,903
Less: impairment loss	**(6,794)**	(6,794)
	8,483	9,109

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

12. Interest in a Joint Venture

	At 30 June 2018 (unaudited) HK$'000	At 31 December 2017 (audited) HK$'000
Share of net liabilities	**(110)**	(105)
Loan to a joint venture	**1,364,400**	1,364,400
	1,364,290	1,364,295

The loan to a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and recoverable on demand. The balance is not expected to be recovered within one year. During the period and as at 30 June 2018, the balance did not bear any interest.

13. Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2018 (unaudited) HK$'000	At 31 December 2017 (restated) HK$'000
Property development		
Properties under development for sale	**–**	442,712
Completed properties held for sale	**77,533**	115,529
	77,533	558,241
Other operations		
Trading stocks	**1,420**	1,975
Spare parts and consumables	**1,373**	1,080
Work in progress	**11,833**	13,750
	14,626	16,805
	92,159	575,046

14. Trade and Other Receivables

	At 30 June 2018 (unaudited) *HK$'000*	At 31 December 2017 (restated) *HK$'000*
Trade receivables	**317,972**	295,097
Less: allowance for doubtful debts	**(2,062)**	(2,151)
	315,910	292,946
Cash held by stakeholders	**–**	120,675
Other receivables and prepayments	**90,706**	190,538
Amount due from a joint venture	**26,489**	25,374
	433,105	629,533

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.

14. Trade and Other Receivables *(continued)*

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)	At 31 December 2017 (restated)
	HK$'000	*HK$'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	**3,456**	2,036
	315,910	292,946

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.

15. Cash and Bank Balances

(a)

	At 30 June 2018 (unaudited)	At 31 December 2017 (audited)
	HK$'000	*HK$'000*
Deposits with banks and other financial institutions	**1,830,034**	1,771,616
Cash at bank and in hand	**19,462**	20,063
Cash and bank balances in the consolidated statement of financial position	**1,849,496**	1,791,679
Less: Bank deposits with maturity over three months at acquisition	**(747,025)**	–
Cash and cash equivalents in the condensed consolidated cash flow statement	**1,102,471**	1,791,679

15. Cash and Bank Balances *(continued)*

(b) Major non-cash transactions

During the six months ended 30 June 2018, the Group has payable in relation to additions of properties under development for sale of HK$12,194,000 (2017: HK$18,138,000). These additions have no cash flow impact to the Group.

16. 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	**9**	9
	80,849	99,878

17. Capital and Reserves

Share capital

	At 30 June 2018		At 31 December 2017	
	Number of shares *('000)*	***HK$'000***	Number of shares *('000)*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 30 June/31 December	**356,274**	**1,754,801**	356,274	1,754,801

18. Fair Value Measurement of Financial Instruments

(a) Financial assets measured at fair value

(i) Fair value hierarchy

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

The fair value measurements of the Group's financial assets as at 30 June 2018 and 31 December 2017 are categorised into Level 1. During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: 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.

(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 2018 and 31 December 2017.

19. Capital Commitments

Capital commitments outstanding at 30 June 2018 not provided for in this interim financial report are as follows:

	At 30 June 2018 (unaudited) ***HK$'000***	At 31 December 2017 (audited) *HK$'000*
Contracted for	–	18,267
Authorised but not contracted for	–	891
	–	19,158

20. Contingent Liabilities

Financial guarantees issued

At 30 June 2018, the Company has issued the following guarantees:

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

(b) guarantees to banks in respect of banking facilities granted to its wholly-owned subsidiaries and a joint venture.

Under the guarantees, the Company is liable to the amount due from the subsidiaries and the joint venture 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 and the joint venture, being HK$19,003,000 (31 December 2017: HK$90,000).

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.

21. 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 1" and "HLD Sub 2"), whereby HLD Sub 1 and HLD Sub 2 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 1 and HLD Sub 2 agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 30 June 2018, an amount of HK$281,000 (31 December 2017: HK$276,000) remained unpaid and was included in trade and other receivables.

In February 2017, the Group entered into a deed of novation (the "Deed of Novation") with HLD, HLD Sub 1 and HLD Sub 2 pursuant to which HLD Sub 1 transferred and assigned unto HLD Sub 2, and HLD Sub 2 took and assumed all of the rights and obligations of HLD Sub 1 under the Agreement subject to the terms and conditions as stated in the Deed of Novation. The Deed of Novation was supplemental to the Agreement.

(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 2018. During the period, the Group received management and administrative fees in the total of HK$Nil (2017: HK$50,000) 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$39,000 (2017: HK$50,000) from 2OK. At 30 June 2018, the amount advanced by the Group totalling HK$3,858,000 (31 December 2017: HK$4,031,000) 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$1,066,000 (2017: HK$1,045,000) was charged to the Group during the period. At 30 June 2018, an amount of HK$2,123,000 (31 December 2017: HK$1,047,000) 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.

21. 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 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 were subject to each 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 2018, an amount of HK$2,294,000 (31 December 2017: 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 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 were 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 periods ended 30 June 2018 and 2017, there were no change in cost estimates. At 30 June 2018, an amount of HK$14,725,000 (31 December 2017: HK$14,725,000), which included amounts payable to other subcontractors through the main contractor, remained unpaid and was included in trade and other payables.

Under the term of Fanling Prime Cost Contract Extension Letter, the contract expired in December 2015.

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

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

(vi) In January 2017, the Group appointed another wholly-owned subsidiary of HLD ("HLD Sub B") as the sales 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 one year commencing from 1 January 2017 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) (the "Letter Agreement"). The aggregate amount of fees receivable by HLD Sub B as remuneration under the appointment were subject to a ceiling of HK$1,000,000 for the year ended 31 December 2017.

A total fee of HK$47,000 was charged to the Group for the six months ended 30 June 2018 (2017: HK$Nil). At 30 June 2018, an amount of HK$47,000 (31 December 2017: HK$Nil) remained unpaid and was included in trade and other payables. Pursuant to the terms of the Letter Agreement, the appointment of HLD Sub B as sales manager expired in December 2017.

In December 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the sales manager of the Group in respect of the sale and purchase of the remaining residential units of the Hung Hom Property for a further term of three years commencing from 1 January 2018 to 31 December 2020 (the "Term of Appointment"). The aggregate amount of fees receivable by HLD Sub B as remuneration under the appointment shall be subject to a ceiling of HK$1,000,000 per annum during the Term of Appointment.

(vii) In March 2014, the Group as landlord and an indirectly non-wholly owned subsidiary of HLD as tenant agreed to renew the tenancy agreement in respect of certain shops and spaces of MHP (the "Tenancy Renewal Agreement"). 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 were subject to annual caps of respective years. Under the Tenancy Renewal Agreement and two Licence Agreements, each of their terms expired in June 2017.

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

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

(vii) (continued)

In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant to HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter A (the "Renewal Offer Letter A") in respect of the leasing of Shop Nos. G01, Portion of G31, G35–G50, Portion of G51, Portion of G52, G63–G74 and corridors and atrium on Ground Floor, MHP ("Previous Premises 1") and Bridge area on Level 1, MHP ("Premises 2") for a term of one year commencing from 1 July 2017 to 30 June 2018 at a monthly rental of HK$244,000 for Previous Premises 1 and HK$6,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Previous Premises 1 and Premises 2 over HK$50,000,000, which shall be payable monthly in arrears. The term of the Renewal Offer Letter A expired in June 2018.

In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant to HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter B (the "Renewal Offer Letter B") in respect of the leasing of Shop Nos. 127–161 and corridors and toilets on Level 1, MHP ("Premises 3") for a term of three years commencing from 1 July 2017 to 30 June 2020 at a monthly rental of HK$238,000 for Premises 3 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 3 over HK$70,000,000, which shall be payable monthly in arrears.

In June 2018, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2018 renewal offer letter A (the "2018 Renewal Offer Letter A") in respect of the leasing of Shop Nos. G01, Portion of G31, G37–G50, Portion of G51, Portion of G52, G63–G74 and corridors and atrium on Ground Floor, MHP ("Premises 1") and Premises 2 for a term of two years commencing from 1 July 2018 to 30 June 2020 at a monthly rental of HK$243,000 for Premises 1 and HK$7,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 1 and Premises 2 over HK$50,000,000, which shall be payable monthly in arrears.

The aggregate amounts of rentals and other ancillary expenses receivable under the Renewal Offer Letter A and the Renewal Offer Letter B are subject to the annual ceilings for the period from 1 July 2017 to 31 December 2017 of HK$7,500,000. In June 2018, the aggregate amounts of rentals and other ancillary expenses receivable under the 2018 Renewal Offer Letter A and the Renewal Offer Letter B are subject to the revised annual ceilings for the years ending 31 December 2018, 31 December 2019 and for the period from 1 January 2020 to 30 June 2020 of HK$15,000,000, HK$15,000,000 and HK$7,500,000 respectively.

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

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

(vii) (continued)

During the period, an amount of HK$6,750,000 (2017: HK$5,805,000), being aggregate rental and fees receivable under the aforementioned lease and licences agreements in March 2014 and June 2017, was credited to the Group.

(viii) 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” or 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 years ended 31 December 2015, 31 December 2016 and 31 December 2017 of HK$1,500,000, HK$4,100,000 and HK$1,600,000, and for the year ending 31 December 2018 of HK$1,500,000 respectively. A total fee of HK$756,000 (2017: HK$344,000) was charged to the Group during the period. At 30 June 2018, an amount of HK$1,444,000 (31 December 2017: HK$688,000) remained unpaid and was included in trade and other payables.

(ix) 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 years ended 31 December 2015, 31 December 2016 and 31 December 2017 of HK$1,260,000, HK$19,990,000 and HK$16,740,000, and for the year ending 31 December 2018 of HK$970,000 respectively. In accordance with the contract entered into the Group, an amount of HK$16,057,000 (2017: HK$55,706,000), of which HK$970,000 (2017: HK$6,481,000) being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the TCS Property during the period. At 30 June 2018, an amount of HK$10,913,000 (31 December 2017: HK$33,840,000) remained unpaid and was included in trade and other payables.

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

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

(x) 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 TCS Property 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 years ended 31 December 2015, 31 December 2016 and 31 December 2017 of HK$700,000, HK$2,000,000 and HK$600,000, and for the year ending 31 December 2018 of HK$200,000 respectively. No fee has been charged during the periods ended 30 June 2018 and 2017. At 30 June 2018, no amount remained unpaid (31 December 2017: HK$Nil).

(xi) 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 Mira Place One (formerly known as Miramar Shopping Centre) ("Premises 4") 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. The letter agreement expired in January 2017.

In January 2017, 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 4 for use as show flats and sales office for the sale of the residential units of the TCS Property for the period from 5 January 2017 to the earlier of 4 May 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the ceiling of HK$1,700,000. The second letter agreement expired in May 2017.

No fee has been charged during the six months ended 30 June 2018. A total fee of HK$988,000 was charged to the Group during the period ended 30 June 2017. At 30 June 2018, an amount of $997,000 (31 December 2017: HK$997,000) remained unpaid and was included in trade and other payables.

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

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

(xii) In May 2017, a loan facility agreement was entered into among, among others, a joint venture company (the "Joint Venture Company") (as borrower), held indirectly by the Company as to 50% and the joint venture partner as to 50%, the Company (as guarantor), related companies of the joint venture partner (as guarantor and obligor), and the financial institutions named therein (as lenders) in relation to a term loan facility in the aggregate principal amount of HK$3,000,000,000 for the purpose of financing and refinancing the demolition cost, construction cost and professional fees in relation to the development on Tuen Mun Town Lot No. 547 located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong and the selling and marketing expenses in relation thereto (the "Loan Facility"). The Loan Facility is secured by, among others, a corporate guarantee in respect of 50% of the Loan Facility and a funding undertaking for project cost overrun (with completion guarantee) given by the Group (on a several basis and pro rata to the Group's 50% equity interest in the Joint Venture Company), as well as a share charge in respect of the issued share capital of the Joint Venture Company and a deed of subordination and assignment in respect of all indebtedness currently owing and which may in future become owing by the Joint Venture Company to its shareholders.

(xiii) At 30 June 2018, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (31 December 2017: 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 been interested in the above transactions (except note 21(a)(xii)) as a deemed controlling shareholder of HLD.

To the extent the above transactions (except note 21(a)(xii)) 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 21(a)(v), (vi), (vii), (viii), (ix), (x) and (xi) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules).

22. 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) Subsequent to the end of the reporting period, the Group had entered into a development agreement with the Urban Renewal Authority ("URA") for the redevelopment project to be known as New Kowloon Inland Lot No. 6559, located at Tung Chau Street / Kweilin Street in Sham Shui Po, Kowloon (the "Land"). An upfront payment of HK$1,029,200,000 had been paid to URA. The Land under redevelopment would cover an area of about 1,490 square metres and would be developed to a maximum total gross floor area of about 13,410 square metres.

23. 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.

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 12 to 47 which comprises the consolidated statement of financial position of Hong Kong Ferry (Holdings) Company Limited (the "Company") as of 30 June 2018 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 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 August 2018

http://www.hkf.com