



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

(Stock Code 股份代號 : 50)



INTERIM REPORT

2019 中期報告





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Interim Results and Dividends

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2019 amounted to HK\$86 million, representing a decrease of 68% as compared with the figure for the first half year of 2018. Earnings per share amounted to HK\$0.24 as compared with HK\$0.77 over the corresponding period of 2018.

The Board of Directors (the “Board”) has declared an interim dividend of HK10 cents per share (2018: interim dividend of HK10 cents per share) in respect of the year ending 31 December 2019. The interim dividend will be paid on or about Thursday, 26 September 2019 to shareholders whose names appear on the register of members at the close of business on Tuesday, 17 September 2019.

Management Discussion and Analysis

Business Review

The local economy was considerably affected by the impact of the Sino-US trade conflicts in the first half of the year. The local GDP growth rate was only 0.6%, which was much lower than the 4.1% in the same period last year. In addition, many people have strong objections to the proposed amendment to the “Fugitive Offenders Ordinance” submitted to the Legislative Council by the Government in February 2019, with continuous protests starting in June and evolving into recent violent confrontations. Consumers’ sentiment has plummeted. The number of visitors to Hong Kong has decreased. As a result, the stock market declined and property transactions in Hong Kong slowed in last month, albeit the price has remained stable.

All the residential units of the Group have been sold in 2018. During the period under review, the Group’s profit was mainly derived from the rental income of the commercial arcades and the profit from the sale of car parking spaces.

Property Development and Investment Operations

During the period, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK\$52 million. At the end of the reporting period, the commercial arcades of Shining Heights, The Spectacle and Metro6 were fully let, whereas the occupancy rate of the commercial arcade of Green Code was 92%. As the commercial arcade of the Metro Harbour Plaza has been partly under renovation, the occupancy rate was 80%. The profit arising from the sale of the car parking spaces of the Group amounted to approximately HK\$19 million.

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 is responsible for the construction of the project with a total 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 and the project is expected to be completed in late 2022.



Management Discussion and Analysis (Continued)

Business Review *(continued)*

Tuen Mun Town Lot No. 547

The construction of the Group's 50%/50% joint venture project with Empire Development Hong Kong (BVI) Limited located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories (Tuen Mun Town Lot No. 547) is in good progress and is expected to be completed in 2022.

The project under construction consists of six residential towers providing about 1,636 units with sea view or landscape view. The total 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\$3.7 million, a decrease of 49% as compared to the same period last year. The decrease was mainly due to lower vessel repair businesses after the opening of the Hong Kong-Zhuhai-Macao Bridge.

Securities Investment

A profit of HK\$12 million was recorded in the Group's securities investment during the period.

Prospects

US President Donald Trump announced on 2 August 2019 to impose 10% tariff on the remaining US\$300 billion worth of imported goods from China with effect from 1 September 2019 (a portion of which was subsequently postponed to 15 December 2019). The market was disappointed in its expectation that China and the US could shortly conclude a settlement after the series of negotiations in the past months. Global stock market in general dropped considerably. Economic growth estimates turned conservative. It is expected that the local economic outlook in the second half year will not be positive in view of the unfavourable internal and external factors.

As the US interest rates trend to further decline, the low interest rate scenario will support the Hong Kong industrial and commercial sectors as well as the property market. The local loan-to-value ratios of mortgages are in general low and the solid demand from residential units still exists. The property market is expected to return to normal after the social unrest has settled.

Barring unforeseen circumstances, the rental income from the commercial arcades will be the main source of income of the Group for the second half year. In addition, the Tung Chau Street / Kweilin Street project and the Tuen Mun project will be sold by phases commencing next year.

Financial Review

Review of Results

During the six months ended 30 June 2019, the Group's revenue amounted to HK\$170 million, representing a decrease of 82% as compared with the same period last year. This was mainly attributable to the fact that no residential units were sold during the period.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2019 was HK\$86 million, representing a decrease of 68% as compared with a profit of HK\$273 million for the same period last year. The reason for the decrease 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 2019, shareholders' funds of the Group amounted to HK\$6,120 million, representing a slight decrease of 0.2% as compared with the corresponding figure as at 31 December 2018. The decrease was mainly due to the net effect of the profit realised from property leasing and sales, the gains on revaluation of the Group's investment properties and the payment of dividends.

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

As at 30 June 2019, current assets of the Group stood at HK\$2,448 million and current liabilities were HK\$173 million. Current ratio of the Group increased to 14 as at 30 June 2019, mainly attributed to the decrease in trade and other payables.

Charge of Assets

As at 30 June 2019, shares in the Joint Venture Company were charged to secure the 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 40 and note 21(a)(xi) on page 46 to the interim financial report.

Gearing Ratio and Financial Management

As there was no bank 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 2019, 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, 16 September 2019 and Tuesday, 17 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 13 September 2019.

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 2019.

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 2019.

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 2019 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 2019 has been reviewed with no disagreement by the Audit Committee.

The interim financial report for the six months ended 30 June 2019 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 of this report.

Remuneration Committee

The Remuneration Committee held its meeting in June 2019. The Remuneration Committee currently comprises three independent non-executive directors and two executive directors.

Changes in the Information of Directors

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

- (a) Dr. Lam Ko Yin, Colin was awarded an Honorary Fellowship by The Chinese University of Hong Kong on 6 May 2019.
- (b) Dr. Lee Shau Kee (“Dr. Lee”) retired as Chairman and Managing Director and is remaining as an Executive Director of Henderson Land Development Company Limited with effect from the conclusion of its annual general meeting held on 28 May 2019.
- (c) Dr. Lee retired as an Executive Director of Henderson Investment Limited with effect from the conclusion of its annual general meeting held on 28 May 2019.
- (d) Dr. Lee retired as Chairman and a Non-executive Director of The Hong Kong and China Gas Company Limited with effect from the conclusion of its annual general meeting held on 28 May 2019.
- (e) Dr. Lee retired as a Non-executive Director of Miramar Hotel and Investment Company, Limited with effect from the conclusion of its annual general meeting held on 4 June 2019.
- (f) Mr. Au Siu Kee, Alexander has been appointed as a member of the Nomination Committee and the Remuneration Committee of Henderson Land Development Company Limited with effect from the conclusion of its annual general meeting held on 28 May 2019.



Other Information (Continued)

Changes in the Information of Directors *(continued)*

- (g) Mr. Wu King Cheong has been appointed as the chairman of the Nomination Committee of Henderson Land Development Company Limited with effect from the conclusion of its annual general meeting held on 28 May 2019.
- (h) Ms. Wong Yu Pok, Marina has been elected as an Independent Non-executive Director of SJM Holdings Limited with effect from 11 June 2019 upon the conclusion of its annual general meeting.

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

As at 30 June 2019, 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 (BVI) Limited as to 50% as set out below:

	Group's attributable interest	Amount of advances made by the Group <i>Note 1</i> <i>HK\$'000</i>	Guarantee given for the Joint Venture Company in respect of a bank facility <i>Note 2</i> <i>HK\$'000</i>	Total financial assistance made available by the Group <i>HK\$'000</i>
The Joint Venture Company	50%	1,390,900	1,500,000	2,890,900

Notes:

- 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.
- 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 Development Hong Kong (BVI) Limited (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.

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules *(continued)*

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 Development Hong Kong (BVI) Limited 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 Development Hong Kong (BVI) Limited and recoverable on demand (subject to the deed of subordination and assignment in favour of the lenders of the loan facility).

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 2019 are presented as follows:

	Combined statement of financial position <i>HK\$'000</i>	Group's attributable interests <i>HK\$'000</i>
Non-current assets	11,700	5,850
Current assets	2,973,212	1,486,606
Current liabilities	(114,549)	(57,275)
Total assets less current liabilities	2,870,363	1,435,181
Non-current liabilities	(2,885,132)	(1,442,566)
Net liabilities	(14,769)	(7,385)

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 2019.

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

Disclosure of Interests

Directors' Interests in Securities

As at 30 June 2019, 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 as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Interests

	THE COMPANY					Approximate percentage of the total number of issued shares
	Personal Interests	Corporate Interests	Family Interests	Total Interests		
	Number of Shares	Number of Shares	Number of Shares	Number of 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 <i>(Note 5 on page 11)</i>	–	119,816,310	33.63%	
Mr. Li Ning	–	–	119,017,090 <i>(Note 4 on page 11)</i>	119,017,090	33.41%	
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%	
Mr. Wu King Cheong	–	–	–	–	0.00%	
2OK COMPANY LIMITED						
	Corporate Interests		Family Interests			
	Number of Shares		Number of Shares			
Dr. Lee Shau Kee <i>(Note 1)</i>	5		–			
Mr. Li Ning <i>(Note 2)</i>	–		5			

Directors' Interests in Securities *(continued)*

Interests *(continued)*

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

Notes:

- 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.
- By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.
- These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest 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.
- 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 2019.



Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2019, 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 (<i>Note 1</i>)	119,017,090	33.41%
Pataca Enterprises Limited (<i>Note 1</i>)	119,017,090	33.41%
Wiselin Investment Limited (<i>Note 1</i>)	48,817,090	13.70%
Henderson Development Limited (<i>Note 2</i>)	119,017,090	33.41%
Hopkins (Cayman) Limited (<i>Note 3</i>)	119,017,090	33.41%
Rimmer (Cayman) Limited (<i>Note 3</i>)	119,017,090	33.41%
Riddick (Cayman) Limited (<i>Note 3</i>)	119,017,090	33.41%
Mr. Li Ning (<i>Note 4</i>)	119,017,090	33.41%
Dr. Lee Shau Kee (<i>Note 5</i>)	119,816,310	33.63%
Persons other than Substantial Shareholders		
Graf Investment Limited (<i>Note 1</i>)	23,400,000	6.57%
Mount Sherpa Limited (<i>Note 1</i>)	23,400,000	6.57%
Paillard Investment Limited (<i>Note 1</i>)	23,400,000	6.57%

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 2019.

Save as disclosed, as at 30 June 2019, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

Interim Financial Report

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019	2018
		HK\$'000	(note) HK\$'000
Revenue	3(a)	170,481	924,615
Direct costs		(94,109)	(591,252)
		76,372	333,363
Other revenue	3(a)	26,313	25,942
Other net income	4	6,229	634
Valuation gains on investment properties	3(c)	15,900	17,805
Selling and marketing expenses		(311)	(30,593)
Administrative expenses		(25,150)	(25,291)
Other operating expenses		(1,098)	(2,068)
Interest on lease liabilities		(30)	–
Profit from operations	3(b)	98,225	319,792
Share of profits less losses of associates		304	508
Share of loss of a joint venture		(177)	(5)
Profit before taxation	5	98,352	320,295
Taxation	6	(11,867)	(47,397)
Profit attributable to equity shareholders of the Company		86,485	272,898
Earnings per share	9		
– Basic and diluted		\$0.24	\$0.77

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 2019 – unaudited

	Note	Six months ended 30 June	
		2019	2018
		HK\$'000	(note) HK\$'000
Profit attributable to equity shareholders of the Company		86,485	272,898
<hr/>			
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 securities revaluation reserve (non-recycling)		(1,623)	(20,943)
Item that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (recycling)		5,025	(2,923)
		3,402	(23,866)
<hr/>			
Total comprehensive income attributable to equity shareholders of the Company		89,887	249,032

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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

Interim Financial Report (Continued)

Consolidated Statement of Financial Position

At 30 June 2019

	Note	At 30 June 2019 (unaudited)		At 31 December 2018 (audited) (note)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties	10		2,167,370		2,151,470
Other property, plant and equipment	10		52,934		52,657
Interest in leasehold land			38,346		39,031
			2,258,650		2,243,158
Interest in associates	11		6,873		8,048
Interest in a joint venture	12		1,363,986		1,364,163
Other financial assets			280,162		337,304
Deferred tax assets			3,526		3,618
			3,913,197		3,956,291
Current assets					
Inventories	13	1,142,846		1,116,208	
Trade and other receivables	14	322,269		361,234	
Cash and bank balances	15	951,295		903,362	
Tax recoverable		31,665		37,349	
		2,448,075		2,418,153	

Interim Financial Report (Continued)

Consolidated Statement of Financial Position *(continued)*

At 30 June 2019

	Note	At 30 June 2019 (unaudited)		At 31 December 2018 (audited) (note)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	16	128,197		139,045	
Lease liabilities	2(c)	1,127		–	
Tax payable		44,041		41,318	
		<u>173,365</u>		<u>180,363</u>	
Net current assets			<u>2,274,710</u>		<u>2,237,790</u>
Total assets less current liabilities			<u>6,187,907</u>		<u>6,194,081</u>
Non-current liabilities					
Net employee retirement benefits liabilities		4,689		4,003	
Lease liabilities	2(c)	690		–	
Deferred tax liabilities		62,298	67,677	59,930	63,933
NET ASSETS			<u>6,120,230</u>		<u>6,130,148</u>
CAPITAL AND RESERVES					
Share capital	17	1,754,801		1,754,801	
Reserves		4,365,429		4,375,347	
TOTAL EQUITY			<u>6,120,230</u>		<u>6,130,148</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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

Interim Financial Report (Continued)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

	Note	Share capital HK\$'000	Securities revaluation reserve (non-recycling) HK\$'000	Securities revaluation reserve (recycling) HK\$'000	Other capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 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		–	(20,943)	(2,923)	–	–	(23,866)
Total comprehensive income		–	(20,943)	(2,923)	–	272,898	249,032
Dividends approved in respect of the previous year	7(b)	–	–	–	–	(99,757)	(99,757)
Balance at 30 June 2018 and 1 July 2018		1,754,801	(20,943)	(4,707)	605	4,386,406	6,116,162
Changes in equity for the six months ended 31 December 2018:							
Profit for the period		–	–	–	–	71,745	71,745
Other comprehensive income		–	(19,968)	(1,835)	–	(329)	(22,132)
Total comprehensive income		–	(19,968)	(1,835)	–	71,416	49,613
Dividends declared in respect of the current year	7(a)	–	–	–	–	(35,627)	(35,627)
Balance at 31 December 2018 (Note)		1,754,801	(40,911)	(6,542)	605	4,422,195	6,130,148
Effect of adoption of HKFRS 16	2(b)	–	–	–	–	(48)	(48)
Adjusted balance at 1 January 2019		1,754,801	(40,911)	(6,542)	605	4,422,147	6,130,100
Changes in equity for the six months ended 30 June 2019:							
Profit for the period		–	–	–	–	86,485	86,485
Other comprehensive income		–	(1,623)	5,025	–	–	3,402
Total comprehensive income		–	(1,623)	5,025	–	86,485	89,887
Dividends approved in respect of the previous year	7(b)	–	–	–	–	(99,757)	(99,757)
Balance at 30 June 2019		1,754,801	(42,534)	(1,517)	605	4,408,875	6,120,230

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 2019 – unaudited

	Note	Six months ended 30 June	
		2019	2018
		HK\$'000	(note) HK\$'000
Net cash generated from operating activities		61,804	340,639
Investing activities			
Proceeds from disposal of other financial assets		64,054	73,100
Decrease/(increase) in bank deposits with maturity over three months at acquisition		42,068	(747,025)
Other cash flows arising from investing activities		22,524	26,492
Payment for purchase of other financial assets		–	(282,657)
Net cash generated from/(used in) investing activities		128,646	(930,090)
Financing activities			
Capital element of lease rental paid		(662)	–
Interest element of lease rental paid		(30)	–
Dividends paid		(99,757)	(99,757)
Net cash used in financing activities		(100,449)	(99,757)
Net increase/(decrease) in cash and cash equivalents		90,001	(689,208)
Cash and cash equivalents at 1 January		415,424	1,791,679
Cash and cash equivalents at 30 June	15	505,425	1,102,471

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 16 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 2018 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 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.



Notes to the Unaudited Interim Financial Report (Continued)

1. Basis of Preparation *(continued)*

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

2. Changes in Accounting Policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements brought forward from HKAS 17 remains substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.



Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies *(continued)*

HKFRS 16, *Leases* *(continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 10.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting *(continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.22%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 19(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments at 31 December 2018	1,498
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(340)
	1,158
Less: total future interest expenses	(28)
Present value of remaining lease payments recognised, discounted using the incremental borrowing rate at 1 January 2019	1,130

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(b) Transitional impact *(continued)*

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in “Other property, plant and equipment” and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position:

	Carrying amount at 31 December 2018 <i>HK\$'000</i>	Capitalisation of operating lease contracts <i>HK\$'000</i>	Carrying amount at 1 January 2019 <i>HK\$'000</i>
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	52,657	1,082	53,739
Total non-current assets	3,956,291	1,082	3,957,373
Lease liabilities (current)	–	1,052	1,052
Current liabilities	180,363	1,052	181,415
Net current assets	2,237,790	(1,052)	2,236,738
Total assets less current liabilities	6,194,081	30	6,194,111
Lease liabilities (non-current)	–	78	78
Net assets	6,130,148	(48)	6,130,100

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(b) Transitional impact *(continued)*

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 HK\$'000	At 1 January 2019 HK\$'000
Included in "Other property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	1,314	1,082
Machinery, furniture and others, carried at depreciated cost	466	–
	1,780	1,082

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	1,127	1,155	1,052	1,080
After 1 year but within 2 years	420	430	78	78
After 2 years but within 5 years	270	277	–	–
	690	707	78	78
	1,817	1,862	1,130	1,158
Less: total future interest expenses		(45)		(28)
Present value of lease liabilities		1,817		1,130



Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following 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 substantially all of the Group's revenue and profit from operations were derived from activities in Hong Kong.

Segment results

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

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

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

The segment information for the six months ended 30 June 2019 and 2018 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of		Revenue from	
	Six months ended		inter-segment revenue		external customers	
	30 June		30 June		30 June	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	20,100	770,350	–	–	20,100	770,350
Property investment	70,852	68,625	–	–	70,852	68,625
Ferry, shipyard and related operations	83,374	87,571	510	550	82,864	87,021
Securities investment	9,282	9,107	–	–	9,282	9,107
Others	46,991	49,730	33,295	34,276	13,696	15,454
	230,599	985,383	33,805	34,826	196,794	950,557
Analysed by :						
Revenue					170,481	924,615
Other revenue					26,313	25,942
					196,794	950,557

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

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

(a) Segment revenue *(continued)*

Disaggregation in revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	19,850	770,296
– Revenue from ferry operation	42,920	43,148
– Revenue from shipyard operation	35,743	41,205
	98,513	854,649
Revenue from other sources		
– Property investment	51,717	49,779
– Securities investment	6,571	4,739
– Others	13,680	15,448
	71,968	69,966
	170,481	924,615

Apart from revenue from shipyard which are recognised over time, the Group's other revenue streams within the scope of HKFRS 15 are recognised at a point in time.

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

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

(a) Segment revenue *(continued)*

Disaggregation in revenue *(continued)*

At 30 June 2019, the aggregate amount of revenue expected to be recognised in profit or loss in the future from construction and repairing contracts entered into in relation to the Group's shipyard operation amounted to HK\$9,137,000, which will be recognised as the work is completed, which is expected to occur over the next 12 months.

(b) Segment result

	Reportable segment profit	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Property development	19,114	239,610
Property investment <i>(note 3(d))</i>	51,897	52,265
Ferry, shipyard and related operations	3,696	7,177
Securities investment	12,325	7,964
Others <i>(note 3(e))</i>	11,193	12,776
	98,225	319,792

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	98,225	319,792
Share of profits less losses of associates and a joint venture	127	503
	98,352	320,295

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$15,900,000 (2018: HK\$17,805,000).

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

4. Other Net Income

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Fair value change of other financial assets designated at fair value through profit or loss	6,739	(944)
Sundry income	1,856	1,058
Income from sale of spare parts	897	131
Bad debt recovered	–	311
Net exchange losses	(34)	(8)
Net (loss)/profit on disposal of other non-current financial assets	(3,229)	86
	6,229	634

5. Profit Before Taxation

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	8,988	507,866
Depreciation		
– owned property, plant and equipment	2,696	2,716
– right-of-use assets	651	–
Dividend income from listed investments	(6,571)	(4,739)
Interest income	(16,543)	(20,108)

Notes to the Unaudited Interim Financial Report (Continued)

6. Taxation

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	8,696	42,343
Under-provision in respect of prior year	711	–
	9,407	42,343
Deferred tax		
Origination and reversal of temporary differences	2,460	5,054
	11,867	47,397

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the estimated assessable profits for the six months ended 30 June 2019.

7. Dividends

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents (2018: HK10 cents) per ordinary share	35,627	35,627

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

Notes to the Unaudited Interim Financial Report (Continued)

7. Dividends *(continued)*

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

	Six months ended 30 June	
	2019	2018
	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 2018: HK28 cents) per ordinary share	99,757	99,757

8. Other Comprehensive Income

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Items that may be reclassified subsequently to profit or loss:		
Loss/(profit) on disposal	2,709	(180)
Financial assets designated at fair value through other comprehensive income – net movement in securities revaluation reserve (recycling)	2,316	(2,743)
	5,025	(2,923)
Item that will not be reclassified to profit or loss:		
Financial assets designated at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	(1,623)	(20,943)
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	3,402	(23,866)

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



Notes to the Unaudited Interim Financial Report (Continued)

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$86,485,000 (six months ended 30 June 2018: HK\$272,898,000) and 356,273,883 (2018: 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 2019 and 2018, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. Investment Properties and Other Property, Plant and Equipment

(a) Valuation

All of the Group's investment properties were revalued as at 30 June 2019. 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 2018.

Based on the valuations, a net gain of HK\$15,900,000 (2018: HK\$17,805,000) has been recognised in profit or loss during the period.

(b) Right-of-use assets

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of office space and equipment, and therefore recognised the additions to right-of-use assets of HK\$1,349,000.

Notes to the Unaudited Interim Financial Report (Continued)

11. Interest in Associates

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Share of net assets	158	672
Amounts due from associates	14,133	14,771
Share of net liabilities	(624)	(601)
	13,509	14,170
Less: impairment loss	(6,794)	14,842 (6,794)
	6,873	8,048

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

12. Interest in a Joint Venture

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Share of net liabilities	(414)	(237)
Loan to a joint venture	1,364,400	1,364,400
	1,363,986	1,364,163

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 2019, the balance did not bear any interest.

Notes to the Unaudited Interim Financial Report (Continued)

13. Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Property development		
Properties under development for sale	1,057,199	1,033,957
Completed properties held for sale	70,435	71,243
	1,127,634	1,105,200
Other operations		
Trading stocks	1,955	1,544
Spare parts and consumables	1,292	1,327
Contract assets	11,965	8,137
	15,212	11,008
	1,142,846	1,116,208

14. Trade and Other Receivables

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Trade receivables	252,760	296,483
Less: allowance for credit loss	(122)	(2,185)
	252,638	294,298
Other receivables and prepayments	43,042	40,446
Amount due from a joint venture	26,589	26,490
	322,269	361,234

Notes to the Unaudited Interim Financial Report (Continued)

14. Trade and Other Receivables *(continued)*

All of the trade and other receivables except for instalment receivables of HK\$191,678,000 (31 December 2018: HK\$208,332,000) 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\$41,507,000 (31 December 2018: HK\$56,685,000) 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 2019, the balance did not bear any interest.

Included in trade and other receivables are trade debtors (net of allowance for credit loss) with the following ageing analysis based on due date at the end of the reporting period:

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Current	228,569	250,963
1 to 3 months overdue	19,593	34,558
More than 3 months but less than 12 months overdue	967	5,375
More than 12 months overdue	3,509	3,402
	252,638	294,298

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

Notes to the Unaudited Interim Financial Report (Continued)

15. Cash and Bank Balances

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Deposits with banks and other financial institutions	938,968	883,967
Cash at bank and in hand	12,327	19,395
Cash and bank balances in the consolidated statement of financial position	951,295	903,362
Less: Bank deposits with maturity over three months at acquisition	(445,870)	(487,938)
Cash and cash equivalents in the condensed consolidated cash flow statement	505,425	415,424

16. Trade and Other Payables

All of the trade and other payables except for an amount of HK\$16,924,000 (31 December 2018: HK\$12,783,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$45,974,000 (31 December 2018: HK\$58,502,000) which are unsecured, interest-free and repayable within 30-45 days or have no fixed terms of repayment.

Included in trade and other payables are trade payables with the following ageing analysis based on due date at the end of the reporting period:

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Due within 1 month or on demand	72,777	80,808
Due after 1 month but within 3 months	1,148	1,614
Due after 3 months but within 12 months	22	21
More than 12 months	9	8
	73,956	82,451

Notes to the Unaudited Interim Financial Report (Continued)

17. Share Capital

	At 30 June 2019		At 31 December 2018	
	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

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 fair value measurements of the Group's financial assets as at 30 June 2019 and 31 December 2018 are categorised into Level 1. During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: 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 2019 and 31 December 2018.

Notes to the Unaudited Interim Financial Report (Continued)

19. Commitments

(a) Capital commitments

Capital commitments outstanding at 30 June 2019 not provided for in these interim financial report are as follows:

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Contracted for	84,430	106,740
Authorised but not contracted for	617,876	682,596
	702,306	789,336

(b) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2018 (audited) HK\$'000
Within 1 year	1,420
After 1 year but within 5 years	78
	1,498

The Group is the lessee in respect of a number of properties and piers held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.



Notes to the Unaudited Interim Financial Report (Continued)

20. Contingent Liabilities

Financial guarantees issued

At 30 June 2019, 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\$88,118,000 (31 December 2018: HK\$36,244,000).

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 2019, an amount of HK\$286,000 (31 December 2018: HK\$286,000) remained unpaid and was included in trade and other receivables.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

(i) (continued)

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 subsidiary beneficially owned the remaining 50% equity interest in 2OK at 30 June 2019. During the period, the Group received management and administrative fees in the total of HK\$50,000 (2018: HK\$Nil) 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\$30,000 (2018: HK\$39,000) from 2OK. At 30 June 2019, the amount advanced by the Group totalling HK\$2,655,000 (31 December 2018: HK\$3,107,000) 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\$1,089,000 (2018: HK\$1,066,000) was charged to the Group during the period. At 30 June 2019, an amount of HK\$1,088,000 (31 December 2018: HK\$1,058,000) 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.



Notes to the Unaudited Interim Financial Report (Continued)

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 2019, an amount of HK\$2,294,000 (31 December 2018: 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 a 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 2019 and 2018, there were no change in cost estimates. At 30 June 2019, an amount of HK\$14,725,000 (31 December 2018: 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.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (vi) In January 2017, the Group appointed a 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. 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.

A total fee of HK\$Nil (2018: HK\$47,000) was charged to the Group for the six months ended 30 June 2019. At 30 June 2019, an amount of HK\$47,000 (31 December 2018: HK\$47,000) remained unpaid and was included in trade and other payables.

- (vii) In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant and 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.



Notes to the Unaudited Interim Financial Report (Continued)

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 and 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 2019, 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 year ended 31 December 2018 of HK\$15,000,000 (inclusive of the relevant cap applicable to the Renewal Offer Letter A) and for the year ending 31 December 2019 and for the period from 1 January 2020 to 30 June 2020 of HK\$15,000,000 and HK\$7,500,000 respectively. The 2018 Renewal Offer Letter A was terminated on 1 April 2019.

During the period, an amount of HK\$4,656,000 (2018: HK\$6,750,000), being aggregate rental and fees receivable under the aforementioned lease and licences agreements in June 2017 and June 2018, was credited to the Group.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (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, 31 December 2017 and 31 December 2018 of HK\$1,500,000, HK\$4,100,000, HK\$1,600,000 and HK\$1,500,000 respectively. A total fee of HK\$Nil (2018: HK\$756,000) was charged to the Group during the period. At 30 June 2019, an amount of HK\$1,444,000 (31 December 2018: HK\$1,444,000) 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, 31 December 2017 and 31 December 2018 of HK\$1,260,000, HK\$19,990,000, HK\$16,740,000 and HK\$970,000 respectively. In accordance with the contract entered into the Group, an amount of HK\$16,057,000, of which HK\$970,000 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 year ended 31 December 2018. During the period 30 June 2019, there was no change in cost estimates. At 30 June 2019, an amount of HK\$4,620,000 (31 December 2018: HK\$10,913,000) remained unpaid and was included in trade and other payables.
- (x) 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.



Notes to the Unaudited Interim Financial Report (Continued)

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

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

(x) (continued)

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 2019 and 2018. At 30 June 2019, an amount of HK\$997,000 (31 December 2018: HK\$997,000) remained unpaid and was included in trade and other payables.

(xi) 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.

(xii) At 30 June 2019, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (31 December 2018: 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)(xi)) as a deemed controlling shareholder of HLD.

To the extent the above transactions (except note 21(a)(xi)) constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.



Notes to the Unaudited Interim Financial Report (Continued)

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

(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) and (x) 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

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



Review Report



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

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the 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 2019 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 2019 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
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Central, Hong Kong

16 August 2019





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