



HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香港小輪(集團)有限公司

(Stock Code 股份代號 : 50)

2020

INTERIM REPORT 中期報告



Contents 目錄

- 1 Interim Results and Dividends**
中期業績及股息
- 1 Management Discussion and Analysis**
管理層討論及分析
 - 1 Business Review
業務回顧
 - 2 Prospects
展望
 - 2 Appreciation
致謝
 - 3 Financial Review
財務回顧
- 4 Other Information**
其他事項
- 8 Disclosure of Interests**
披露權益資料
- 12 Interim Financial Report**
中期財務報告
 - 12 Consolidated Statement of Profit or Loss
綜合損益表
 - 13 Consolidated Statement of Profit or Loss and
Other Comprehensive Income
綜合損益及其他全面收益表
 - 14 Consolidated Statement of Financial Position
綜合財務狀況表
 - 16 Consolidated Statement of Changes in Equity
綜合權益變動表
 - 17 Condensed Consolidated Cash Flow Statement
簡明綜合現金流量表
 - 18 Notes to the Unaudited Interim Financial Report
未經審核中期財務報告附註
- 40 Review Report of the Independent Auditor**
獨立核數師審閱報告

Interim Results and Dividends

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2020 amounted to HK\$18 million, representing a decrease of 79% as compared with the figure for the first half year of 2019. Earnings per share amounted to HK\$0.05 as compared with HK\$0.24 over the corresponding period of 2019 mainly attributable to the fact that no property sales revenue was recognized during the period and decline in fair value of the investment properties.

The Board of Directors (the “Board”) has declared an interim dividend of HK10 cents per share (2019: interim dividend of HK10 cents per share) in respect of the year ending 31 December 2020. The interim dividend will be paid on or about Monday, 28 September 2020 to shareholders whose names appear on the register of members at the close of business on Thursday, 17 September 2020.

Management Discussion and Analysis

Business Review

During the period under review, the Group’s profit was mainly derived from the rental income of the commercial arcades.

Property Development and Investment Operations

During the period, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK\$53 million. At the end of the reporting period, the commercial arcades of Metro6 were fully let, whereas the occupancy rates of the commercial arcade of Green Code and Shining Heights were 90% and 88% respectively. The occupancy rates of Metro Harbour Plaza and commercial arcade of The Spectacle were 94% and 79% respectively.

The Royale (8 Castle Peak Road – Castle Peak Bay, Tuen Mun)

The Group’s 50%/50% equity joint venture development project with Empire Group at Tuen Mun Town Lot No. 547 carries the brand name of “The Royale”. The launch of the pre-sale of the first two parcels of Phase 1, “Seacoast Royale”, on 1 August 2020 and 9 August 2020 received overwhelming response and registration from buyers. A total of 367 residential units were promptly sold. The sales amounted to approximately HK\$1.69 billion, with an average selling price of saleable floor area in excess of HK\$14,000 per square foot. The remaining 240 plus residential units in Phase 1 will be put on sale shortly.

This project consists of six residential towers, providing about 1,782 units with sea or landscape views. The gross floor area of the project is approximately 663,000 square feet. The construction of the project is in good progress, the superstructure works of which commenced in November last year. The project is expected to be completed by phases in 2022.

Management Discussion and Analysis (Continued)

Business Review *(continued)*

Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project

In June 2018, the Group was successfully awarded the contract for the Kweilin Street/Tung Chau Street redevelopment project in Sham Shui Po by the Urban Renewal Authority. The Group is responsible for the construction of the project with a total gross floor area of about 144,345 square feet. Upon development, 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 2023. The foundation works have been completed and superstructure works will commence soon.

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a loss of HK\$4.1 million, a decrease of 211% as compared to the same period last year. The decrease was mainly due to the global pandemic leading to a significant decline of revenue in Harbour Cruise – Bauhinia and vessel repair businesses.

Securities Investment

A deficit of HK\$3.6 million in securities investment was recorded mainly due to the fair value change of certain financial assets during the period.

Prospects

The coronavirus epidemic continued to spread around the world, with lockdown or quarantine in many places. Industry and commerce have been hard hit. Retail, tourism, hotels, and aviation have been adversely impacted and economic activities are disrupted. Unemployment remains high. The latest number of global infections has now exceeded 20 million worldwide, and it is forecast that the epidemic will not be under control in the short term. The Hong Kong economy has been dragged down. The local GDP fell by 9% in the second quarter as compared with the same period last year, and is expected to contract 6–8% for the whole year.

The Hong Kong Dollar and US Dollar interest rates prevail in low levels and the demand for small to medium sized residential flats in Hong Kong is stable. The correction in price of residential property is therefore insignificant. However, the prices of shops and commercial properties have depreciated to different extents due to reduced rental income after rental concessions by most landlords.

The Group will continue to sell the residential units of The Royale by phases to meet the market demand. Barring unforeseen circumstances, the rental income from the commercial arcades will be the main source of the Group's profit for the second half year.

Appreciation

Dr. Lee Shau Kee retired from the directorship of the Company on 29 May 2020 due to his advanced age. The Board would like to express its sincere gratitude to Dr. Lee for his services of over 38 years to the Board and his valuable contributions to the Company.

Management Discussion and Analysis (Continued)

Financial Review

Review of Results

During the six months ended 30 June 2020, the Group's revenue amounted to HK\$105 million, representing a decrease of 38% as compared with the same period last year. This was mainly attributable to the decrease of revenue in ferry and shipyard operations during the period.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2020 was HK\$18 million, representing a decrease of 79% as compared with a profit of HK\$86 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 2020, shareholders' funds of the Group amounted to HK\$6,014 million, representing a decrease of 2% as compared with the corresponding figure as at 31 December 2019. The decrease was mainly due to the net effect of the profit realised from property leasing, the loss 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 2020, current assets of the Group stood at HK\$2,387 million and current liabilities were HK\$143 million. Current ratio of the Group increased to 16.7 as at 30 June 2020, mainly attributed to the decrease in trade and other payables.

Charge of Assets

As at 30 June 2020, 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 19 on page 33 and note 20(a)(ix) on page 38 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 policies extended to the Group were principally denominated in Hong Kong dollar.

Employees

As at 30 June 2020, the Group employed about 200 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 Wednesday, 16 September 2020 and Thursday, 17 September 2020, 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 Tuesday, 15 September 2020.

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 2020.

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 2020.

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 2020 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 2020 has been reviewed with no disagreement by the Audit Committee.

The interim financial report for the six months ended 30 June 2020 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 40 of this report.

Remuneration Committee

The Remuneration Committee held its meeting in June 2020. 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 appointed as a member of the Court of The Hong Kong University of Science and Technology with effect from 7 July 2020.
- (b) Mr. Lau Yum Chuen, Eddie retired as an Executive Director of Henderson Land Development Company Limited with effect from the conclusion of its annual general meeting held on 8 June 2020.

Other Information (Continued)

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

As at 30 June 2020, 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 (“Empire Group”) 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%	1,391,169	1,500,000	2,891,169

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), a subsidiary 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.

Other Information (Continued)

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 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).

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 2020 are presented as follows:

	Combined statement of financial position <i>HK\$'000</i>	Group's attributable interests <i>HK\$'000</i>
Non-current assets	11,249	5,625
Current assets	3,252,411	1,626,206
Current liabilities	(169,769)	(84,885)
Total assets less current liabilities	3,093,891	1,546,946
Non-current liabilities	(3,117,601)	(1,558,801)
Net liabilities	(23,710)	(11,855)

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 2020.

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

Hong Kong, 18 August 2020

Disclosure of Interests

Directors' Interests in Securities

As at 30 June 2020, 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:

Shares and underlying shares (Long positions)

Name of Director	THE COMPANY				Approximate percentage of the total number of issued shares
	Interest in shares				
	Personal Interests <i>Number of Shares</i>	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>	Total Interests <i>Number of Shares</i>	
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%
Mr. Li Ning	–	–	119,017,090 <i>(Note 4)</i>	119,017,090	33.41%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

Disclosure of Interests (Continued)

Directors' Interests in Securities *(continued)*

Shares and underlying shares (Long positions) *(continued)*

Name of Director	2OK COMPANY LIMITED	
	Family Interests <i>Number of Shares</i>	Approximate percentage of the total number of issued shares
Mr. Li Ning <i>(Note 6)</i>	5	50.00%

Name of Director	WINWIDE LIMITED	
	Family Interests <i>Number of Shares</i>	Approximate percentage of the total number of issued shares
Mr. Li Ning <i>(Note 7)</i>	70	70.00%

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 2020.

Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2020, 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%

Disclosure of Interests (Continued)

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 Chau 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 Chau 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 Chau 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 2020.
6. 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 an indirect subsidiary of HLD. 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.
7. 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. 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.

Save as disclosed, as at 30 June 2020, 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 2020 – unaudited

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	3(a)	105,205	170,481
Direct costs		(65,687)	(94,109)
		39,518	76,372
Other revenue	3(a)	27,184	26,313
Other net (loss)/income	4	(161)	6,229
Valuation (losses)/gains on investment properties	3(d)	(11,564)	15,900
Selling and marketing expenses		(158)	(311)
Administrative expenses		(24,601)	(25,150)
Other operating expenses		(1,023)	(1,098)
Profit from operations	3(b)	29,195	98,255
Interest on lease liabilities		(60)	(30)
Share of profits less losses of associates		855	304
Share of loss of a joint venture		(4,200)	(177)
Profit before taxation	5	25,790	98,352
Taxation	6	(7,626)	(11,867)
Profit attributable to equity shareholders of the Company		18,164	86,485
Earnings per share	8		
– Basic and diluted		\$0.05	\$0.24

The notes on pages 18 to 39 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

Interim Financial Report (Continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 – unaudited

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit attributable to equity shareholders of the Company	18,164	86,485
Other comprehensive income for the period (after tax and reclassification adjustments):		
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)	(38,328)	(1,623)
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)	60	5,025
	(38,268)	3,402
Total comprehensive income attributable to equity shareholders of the Company	(20,104)	89,887

The notes on pages 18 to 39 form part of this interim financial report.

Interim Financial Report (Continued)

Consolidated Statement of Financial Position

At 30 June 2020

	Note	At 30 June 2020 (unaudited)		At 31 December 2019 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties	9		2,175,970		2,185,970
Other property, plant and equipment	9		53,113		52,275
Interest in leasehold land			36,977		37,662
			2,266,060		2,275,907
Interest in associates	10		7,082		7,145
Interest in a joint venture	11		1,359,548		1,363,748
Other financial assets			205,041		248,107
Deferred tax assets			3,545		3,526
			3,841,276		3,898,433
Current assets					
Inventories	12	1,179,589		1,162,449	
Trade and other receivables	13	288,475		313,788	
Cash and bank balances	14	889,617		974,746	
Tax recoverable		29,013		29,715	
		2,386,694		2,480,698	

Interim Financial Report (Continued)

Consolidated Statement of Financial Position *(continued)*

At 30 June 2020

	Note	At 30 June 2020 (unaudited)		At 31 December 2019 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	15	122,847		137,611	
Lease liabilities		1,466		644	
Tax payable		18,436		41,438	
		142,749		179,693	
Net current assets			2,243,945		2,301,005
Total assets less current liabilities			6,085,221		6,199,438
Non-current liabilities					
Net employee retirement benefits liabilities		1,460		854	
Lease liabilities		3,102		588	
Deferred tax liabilities		67,034	71,596	64,510	65,952
NET ASSETS			6,013,625		6,133,486
CAPITAL AND RESERVES					
Share capital	16	1,754,801		1,754,801	
Reserves		4,258,824		4,378,685	
TOTAL EQUITY			6,013,625		6,133,486

The notes on pages 18 to 39 form part of this interim financial report.

Interim Financial Report (Continued)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – 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 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 and 1 July 2019		1,754,801	(42,534)	(1,517)	605	4,408,875	6,120,230
Changes in equity for the six months ended 31 December 2019:							
Profit for the period		-	-	-	-	49,931	49,931
Other comprehensive income		-	(4,026)	1,761	-	1,217	(1,048)
Total comprehensive income		-	(4,026)	1,761	-	51,148	48,883
Dividends declared in respect of the current year	7(a)	-	-	-	-	(35,627)	(35,627)
Balance at 31 December 2019		1,754,801	(46,560)	244	605	4,424,396	6,133,486
Changes in equity for the six months ended 30 June 2020:							
Profit for the period		-	-	-	-	18,164	18,164
Other comprehensive income		-	(38,328)	60	-	-	(38,268)
Total comprehensive income		-	(38,328)	60	-	18,164	(20,104)
Dividends approved in respect of the previous year	7(b)	-	-	-	-	(99,757)	(99,757)
Balance at 30 June 2020		1,754,801	(84,888)	304	605	4,342,803	6,013,625

The notes on pages 18 to 39 form part of this interim financial report.

Interim Financial Report (Continued)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Net cash generated from operating activities		4,435	61,804
Investing activities			
Decrease in bank deposits with maturity over three months at acquisition		29,319	42,068
Other cash flows arising from investing activities		11,026	22,524
Proceeds from disposal of other financial assets		–	64,054
Net cash generated from investing activities		40,345	128,646
Financing activities			
Capital element of lease rental paid		(773)	(662)
Interest element of lease rental paid		(60)	(30)
Dividends paid		(99,757)	(99,757)
Net cash used in financing activities		(100,590)	(100,449)
Net (decrease)/increase in cash and cash equivalents		(55,810)	90,001
Cash and cash equivalents at 1 January		641,146	415,424
Cash and cash equivalents at 30 June	14	585,336	505,425

The notes on pages 18 to 39 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1. Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 18 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 40.

Notes to the Unaudited Interim Financial Report (Continued)

1. Basis of Preparation *(continued)*

The financial information relating to the financial year ended 31 December 2019 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 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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, except for the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions* (see Note 9(b)).

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 2020 and 2019 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	24	20,100	–	–	24	20,100
Property investment	73,292	70,852	–	–	73,292	70,852
Ferry, shipyard and related operations	44,045	83,374	510	510	43,535	82,864
Securities investment	1,481	9,282	–	–	1,481	9,282
Others	45,476	46,991	31,419	33,295	14,057	13,696
	164,318	230,599	31,929	33,805	132,389	196,794
Analysed by :						
Revenue					105,205	170,481
Other revenue					27,184	26,313
					132,389	196,794

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	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	–	19,850
– Revenue from ferry operation	18,668	42,920
– Revenue from shipyard operation	18,629	35,743
	37,297	98,513
Revenue from other sources		
– Property investment	52,693	51,717
– Securities investment	1,209	6,571
– Others	14,006	13,680
	67,908	71,968
	105,205	170,481

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 2020, 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 operations amounted to HK\$10,868,000 (2019: HK\$9,137,000), which will be recognised overtime until the work is completed, which is expected to occur over the next 12 months.

(b) Segment result

	Reportable segment (loss)/profit	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Property development	(95)	19,114
Property investment <i>(note 3(d))</i>	25,263	51,897
Ferry, shipyard and related operations (excluded interest on lease liabilities)	(4,135)	3,721
Securities investment	(3,621)	12,325
Others (excluded interest on lease liabilities) <i>(note 3(e))</i>	11,783	11,198
	29,195	98,255

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	29,195	98,255
Interest on lease liabilities	(60)	(30)
Share of profits less losses of associates and a joint venture	(3,345)	127
Profit before taxation in the consolidated statement of profit or loss	25,790	98,352

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 losses on investment properties of HK\$11,564,000 (2019: valuation gains of HK\$15,900,000).

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

4. Other Net (Loss)/Income

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Sundry income	3,995	1,856
Income from sale of spare parts	668	897
Net loss on disposal of other non-current financial assets	–	(3,229)
Net loss on disposal of other property, plant and equipment	(2)	–
Net exchange losses	(24)	(34)
Fair value change of other financial assets designated at fair value through profit or loss	(4,798)	6,739
	(161)	6,229

5. Profit Before Taxation

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	1,939	8,988
Depreciation		
– owned property, plant and equipment	2,752	2,696
– right-of-use assets	795	651
Dividend income from listed investments	(1,209)	(6,571)
Interest income	(14,421)	(16,543)

Notes to the Unaudited Interim Financial Report (Continued)

6. Taxation

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	5,121	8,696
Under-provision in respect of prior year	–	711
	5,121	9,407
Deferred tax		
Origination and reversal of temporary differences	2,505	2,460
	7,626	11,867

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the estimated assessable profits for the six months ended 30 June 2020.

7. Dividends

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents (2019: 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	
	2020	2019
	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 2019: HK28 cents) per ordinary share	99,757	99,757

8. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$18,164,000 (six months ended 30 June 2019: HK\$86,485,000) and 356,273,883 (2019: 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 2020 and 2019, therefore diluted earnings per share are the same as basic earnings per share for both periods.

9. Investment Properties and Other Property, Plant and Equipment

(a) Valuation

All of the Group's investment properties were revalued as at 30 June 2020. 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 2019.

Based on the valuations, a net loss of HK\$11,564,000 (2019: net gain of HK\$15,900,000) has been recognised in profit or loss during the period.

Notes to the Unaudited Interim Financial Report (Continued)

9. Investment Properties and Other Property, Plant and Equipment

(continued)

(b) Right-of-use assets

During the six months ended 30 June 2020, the Group recognised the additions to right-of-use assets of HK\$4,108,000 (31 December 2019: HK\$1,349,000).

During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The Group has early adopted the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, and all eligible rent concessions received by the Group have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

10. Interest in Associates

	At 30 June 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Share of net assets	248	595
Amounts due from associates	13,971	13,989
Share of net liabilities	(343)	(645)
	13,628	13,344
Less: impairment loss	(6,794)	(6,794)
	7,082	7,145

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

Notes to the Unaudited Interim Financial Report (Continued)

11. Interest in a Joint Venture

	At 30 June 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Share of net liabilities	(4,852)	(652)
Loan to a joint venture	1,364,400	1,364,400
	1,359,548	1,363,748

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 2020, the balance did not bear any interest.

12. Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Property development		
Properties under development for sale	1,112,563	1,092,648
Completed properties held for sale	63,497	63,497
	1,176,060	1,156,145
Other operations	3,529	6,304
	1,179,589	1,162,449

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables

	At 30 June 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Trade receivables	208,948	245,558
Less: allowance for doubtful debts	(570)	(122)
	208,378	245,436
Other receivables and prepayments	53,242	41,657
Amount due from a joint venture	26,855	26,695
	288,475	313,788

All of the trade and other receivables except for instalment receivables of HK\$139,528,000 (31 December 2019: HK\$172,674,000) 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\$58,266,000 (31 December 2019: HK\$59,799,000) 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 2020, the balance did not bear any interest.

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables *(continued)*

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

	At 30 June 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Current	179,410	213,129
1 to 3 months overdue	23,673	28,289
More than 3 months but less than 12 months overdue	5,066	4,018
More than 12 months overdue	229	–
	208,378	245,436

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.

14. Cash and Bank Balances

	At 30 June 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Deposits with banks and other financial institutions	861,272	959,250
Cash at bank and in hand	28,345	15,496
Cash and bank balances in the consolidated statement of financial position	889,617	974,746
Less: Bank deposits with maturity over three months at acquisition	(304,281)	(333,600)
Cash and cash equivalents in the condensed consolidated cash flow statement	585,336	641,146

Notes to the Unaudited Interim Financial Report (Continued)

15. Trade and Other Payables

All of the trade and other payables except for an amount of HK\$16,906,000 (31 December 2019: HK\$16,072,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$42,897,000 (31 December 2019: HK\$49,395,000) 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 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Due within 1 month or on demand	68,331	82,843
Due after 1 month but within 3 months	87	513
Due after 3 months but within 12 months	-	9
More than 12 months	9	9
	68,427	83,374

Notes to the Unaudited Interim Financial Report (Continued)

16. Share Capital

	At 30 June 2020		At 31 December 2019	
	Number of shares (‘000)	HK\$‘000	Number of shares (‘000)	HK\$‘000
Ordinary shares, issued and fully paid:				
At the beginning and end of period/year	356,274	1,754,801	356,274	1,754,801

17. 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 2020 and 31 December 2019 are categorised into Level 1. During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: 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 2020 and 31 December 2019.

Notes to the Unaudited Interim Financial Report (Continued)

18. Commitments

Capital commitments

Capital commitments outstanding at 30 June 2020 not provided for in these interim financial report are as follows:

	At 30 June 2020 (unaudited) HK\$'000	At 31 December 2019 (audited) HK\$'000
Contracted for	596,333	57,213
Authorised but not contracted for	69,280	617,876
	665,613	675,089

19. Contingent Liabilities

Financial guarantees issued

At 30 June 2020, 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\$200,811,000 (31 December 2019: HK\$132,275,000).

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 (2019: HK\$Nil).

Notes to the Unaudited Interim Financial Report (Continued)

20. 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 2020, an amount of HK\$281,000 (31 December 2019: HK\$209,000) 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 subsidiary beneficially owned the remaining 50% equity interest in 2OK at 30 June 2020. During the period, the Group received management and administrative fees in the total of HK\$40,000 (2019: 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\$24,000 (2019: HK\$30,000) from 2OK. At 30 June 2020, the amount advanced by the Group totalling HK\$2,430,000 (31 December 2019: HK\$2,532,000) 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\$1,195,000 (2019: HK\$1,089,000) was charged to the Group during the period. At 30 June 2020, an amount of HK\$1,176,000 (31 December 2019: HK\$2,165,000) remained unpaid and was included in trade and other payables.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

(iii) (continued)

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.

(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 2020, an amount of HK\$2,294,000 (31 December 2019: 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 2020 and 2019, there were no change in cost estimates. At 30 June 2020, an amount of HK\$14,725,000 (31 December 2019: HK\$14,725,000), which included amounts payable to other subcontractors through this 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)

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

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

- (vi) 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.

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. The term of the Renewal Offer Letter B expired in June 2020.

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 2018 Renewal Offer Letter A was terminated on 1 April 2019.

In June 2020, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2020 renewal offer letter (the “2020 Renewal Offer Letter”) in respect of the leasing of Premises 3 for a term of one year commencing from 1 July 2020 to 30 June 2021 at a monthly rental of HK\$318,000 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.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

(vi) (continued)

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 2020, 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 ended 31 December 2018 and 31 December 2019 of HK\$15,000,000 (inclusive of the relevant cap applicable to the Renewal Offer Letter A) and HK\$15,000,000, and for the period from 1 January 2020 to 30 June 2020 of HK\$7,500,000 respectively. The aggregate amounts of rentals and other ancillary expenses receivable under the 2020 Renewal Offer Letter are subject to the annual ceilings for the period from 1 July 2020 to 31 December 2020 of HK\$5,408,000, and for the period from 1 January 2021 to 30 June 2021 of HK\$5,408,000.

During the period, an amount of HK\$3,027,000 (2019: HK\$4,656,000), being aggregate rental and fees receivable under the aforementioned lease and licences agreements in June 2017 and June 2018, was credited to the Group.

(vii) 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. During the periods ended 30 June 2020 and 2019, there were no change in cost estimates. At 30 June 2020, an amount of HK\$4,620,000 (31 December 2019: HK\$4,620,000) remained unpaid and was included in trade and other payables.

(viii) In October 2015, the Group entered into a letter agreement with a wholly-owned subsidiary of HLD ("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)

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

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

(viii) (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 to the Group during the six months ended 30 June 2020 and 2019. At 30 June 2020, an amount of HK\$997,000 (31 December 2019: HK\$997,000) remained unpaid and was included in trade and other payables.

(ix) 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), a subsidiary 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.

(x) At 30 June 2020, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (31 December 2019: 33.41%) of the total number of issued shares of the Company.

Dr. Lee Shau Kee, a director of the Company until the conclusion of the annual general meeting held on 29 May 2020, is deemed to have been interested in the above transactions (except note 20(a)(ix)) as a deemed controlling shareholder of HLD.

To the extent the above transactions (except note 20(a)(ix)) 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)

20. 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 20(a)(v), (vi), (vii) and (viii) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules).

21. 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 39 which comprises the consolidated statement of financial position of Hong Kong Ferry (Holdings) Company Limited (the “Company”) as of 30 June 2020 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 2020 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

18 August 2020





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