



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

(Stock Code 股份代號: 50)



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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 2022 amounted to HK\$65 million, representing a decrease of 4% as compared with the figure for the first half year of 2021. Earnings per share was HK\$0.18 as compared with HK\$0.19 over the corresponding period of 2021. Excluding the fair value change of the investment properties, the Group's underlying profit attributable to equity shareholders for the period under review was HK\$54 million, representing an increase of 64% from the figure for the same period last year.

The Board of Directors (the "Board") has declared an interim dividend of HK10 cents per share (2021: interim dividend of HK10 cents per share) in respect of the year ending 31 December 2022. The interim dividend will be paid on Wednesday, 28 September 2022 to shareholders whose names appear on the register of members at the close of business on Tuesday, 20 September 2022.

Management Discussion and Analysis

Business Review

During the period under review, the Group's profit was mainly derived from the rental income from shops and commercial arcades.

Property Development and Investment Operations

The gross rental income during the period arising from the commercial arcades of the Group amounted to HK\$55 million, an increase of 5% as compared with last year. Notwithstanding the impact of the pandemic, the commercial arcades of Shining Heights, Metro6 and Green Code Plaza were fully let, and the occupancy rate of Metro Harbour Plaza was 90% at the end of the reporting period.

The Royale (8 Castle Peak Road - Castle Peak Bay, Tuen Mun) Development Project

The Group's 50%/50% development joint venture project with the Empire Group at The Royale, 8 Castle Peak Road, Castle Peak Bay, Tuen Mun, has obtained the Occupation Permit in January this year. It is expected that after successfully obtaining the Certificate of Compliance in September this year, the 1,748 residential units sold will be duly delivered to the buyers by phases and revenue from property sales would be recognised in the Group's accounts accordingly.

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

The Group's development project at Kweilin Street/Tung Chau Street in Sham Shui Po will provide the Group with residential gross floor area of about 97,517 square feet after the redevelopment. The superstructure works were in progress and the project is expected to be completed in the first half of 2024.

Management Discussion and Analysis (Continued)

Business Review *(continued)*

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a loss of HK\$0.4 million as compared with the profit of HK\$16.9 million for the same period last year. The decrease in business results was mainly attributable to the absence of the repair and maintenance subsidy from the Government for ferry operation during the period.

Securities Investment

A deficit of HK\$4.4 million in securities investment was recorded as a result of the fair value change of certain financial assets upon the decline in stock market.

Prospects

The continual spreading of the COVID-19 variant, the rising global inflation, the consecutive interest rate increases by US Federal Reserve and the tightening of the monetary policy of some other central banks have exerted negative impact on the global economy. Meanwhile, the increase in food, commodity and fuel prices, the repeated disruption in supply chains and the Russia-Ukraine conflicts locked in stalemate will require considerable time to resolve. Faced with these unfavorable factors, the Hong Kong real gross domestic product in the first and second quarter recorded a year-on-year decrease, with the first quarter declining by 3.9% and the second quarter 1.3%. The Government, noting weak export and consumption, lowers the forecast of the local economic growth to -0.5% to +0.5% for the full year and expects economic activities to recover slightly in the second half year.

Mr. John Lee, the new Chief Executive of the Hong Kong Special Administrative Region, put a lot of emphasis on economic development. The Government has shortened the compulsory quarantine period in hotels for overseas inbound persons from seven days to three days and is investigating the feasibility of re-opening cross-boundary travel with the mainland. The gradual relaxation of social distancing measures, the new round of the Consumption Voucher Scheme and other relief measures of the Government are expected to have a positive impact on the retail market and expedite the recovery of the local economy, which will, inter alia, be beneficial to the healthcare businesses.

In view of the potential of the healthcare business, the Group has embarked on the medical aesthetic business as a diversification. The Group's medical aesthetic clinic and premium beauty service centre in Mira Place, Tsim Sha Tsui, has opened for business in mid-August of this year. The centre provides beauty and medical aesthetic services such as contouring, firming, lifting, whitening, anti-aging, improvement to skin conditions and contouring management services making use of devices and drugs certified by the United States Food and Drug Administration and the European Union. As a member of the Henderson Land Development Group, the Company wishes to leverage on the Henderson ecosystem and provide quality and personalized services to a wide spectrum of customers.

Management Discussion and Analysis (Continued)

Prospects *(continued)*

During the period under review, the Group collaborated with an international oncology care provider in H Zentre, Tsim Sha Tsui, to offer oncology treatment services. The Group also intends to collaborate with other medical groups, including Union Hospital, to offer healthcare services and capture our market share.

The residential units of the development project “The Royale” will be delivered to buyers in the second half of the year and the relevant revenue will be recognised accordingly. The Group is expected to achieve a very promising annual results for 2022. As previously announced in the 2021 Annual Report, the date of payment of the special dividend of HK\$1 per share will be declared in conjunction with the announcement of the 2022 annual results.

Financial Review

Review of Results

During the six months ended 30 June 2022, the Group’s revenue amounted to HK\$139 million, representing an increase of 22% as compared with the same period last year. This was mainly attributable to the sale of car parking spaces during the period.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2022 was HK\$65 million, representing a decrease of 4% as compared with the figure 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 2022, shareholders’ funds of the Group amounted to HK\$6,021 million, representing a slight increase of 0.3% as compared with the corresponding figure as at 31 December 2021. The increase was mainly due to the net effect of the profit realised from property leasing and sales, and the gains on revaluation of the Group’s investment properties and deduction of the dividend payments.

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

As at 30 June 2022, current assets of the Group stood at HK\$3,193 million and current liabilities were HK\$224 million. Current ratio of the Group decreased to 14.3 as at 30 June 2022, mainly attributed to the increase in trade and other payables.

Management Discussion and Analysis (Continued)

Financial Review *(continued)*

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 2022, 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.

Closure of Register of Members

The Register of Members of the Company will be closed on Monday, 19 September 2022 and Tuesday, 20 September 2022, during which period no requests for 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 16 September 2022.

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.

Arrangements 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, 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 2022.

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 2022.

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 of the Code.

Other Information (Continued)

Audit Committee

The Audit Committee has met in August 2022 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 2022 has been reviewed with no disagreement by the Audit Committee.

The interim financial report for the six months ended 30 June 2022 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 42 of this report.

Remuneration Committee

The Remuneration Committee held its meeting in June 2022. The Remuneration Committee currently comprises three independent non-executive directors and two executive directors.

Forward-Looking Statements

This interim report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company’s control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

Change in the Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of Director of the Company since the date of the Annual Report 2021 and up to the date of this report required to be disclosed is shown as follows:

Mr. Ho Hau Chong, Norman was elected as an independent non-executive director of SJM Holdings Limited with effect from 15 June 2022 upon the conclusion of its annual general meeting held on even date.

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

Hong Kong, 19 August 2022

Disclosure Pursuant to Rule 13.22 of the Listing Rules

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 interests in those affiliated companies as at 30 June 2022 are presented as follows:

	Combined statement of financial position <i>HK\$'000</i>	Group's attributable interests <i>HK\$'000</i>
Non-current assets	95,499	47,750
Current assets	8,110,003	4,055,001
Current liabilities	(7,108,714)	(3,554,357)
Total assets less current liabilities	1,096,788	548,394
Non-current liabilities	(1,209,052)	(604,526)
Net liabilities	(112,264)	(56,132)

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 2022.

Disclosure of Interests

Directors' Interests in Securities

As at 30 June 2022, the interests and short positions of the directors and the chief executive 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)

	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>	
Name of Director					
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%
Name of Group General Manager					
Mr. Lee Gabriel	180,000	–	–	180,000	0.05%

Disclosure of Interests (Continued)

Directors' Interests in Securities *(continued)*

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

	2OK COMPANY LIMITED	
	Family Interests <i>Number of Shares</i>	Approximate percentage of the total number of issued shares

Name of Director

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

Name of Director

Mr. Li Ning <i>(Note 7)</i>	70	70.00%
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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 2022.

Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2022, 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 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 2022.
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 2022, 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 2022 – unaudited

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Revenue	3(a)	138,947	114,289
Direct costs		(79,561)	(77,046)
		59,386	37,243
Other revenue	3(a)	39,683	47,816
Other net (loss)/income	4	(2,100)	8,108
Valuation gains on investment properties	3(d)	11,570	35,502
Selling and marketing expenses		(2,263)	(10)
Administrative expenses		(26,452)	(24,672)
Other operating expenses		(3,058)	(2,448)
Profit from operations	3(b)	76,766	101,539
Interest on lease liabilities		(72)	(64)
Share of profits less losses of associates		277	637
Share of profits/(losses) of joint ventures		184	(25,332)
Profit before taxation	5	77,155	76,780
Taxation	6	(12,082)	(8,743)
Profit attributable to equity shareholders of the Company		65,073	68,037
Earnings per share (HK\$)	8		
– Basic and diluted		0.18	0.19

The notes on pages 18 to 41 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 2022 – unaudited

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Profit attributable to equity shareholders of the Company	65,073	68,037
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)	4,412	1,244
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)	–	(458)
	4,412	786
Total comprehensive income attributable to equity shareholders of the Company	69,485	68,823

The notes on pages 18 to 41 form part of this interim financial report.

Interim Financial Report (Continued)

Consolidated Statement of Financial Position

At 30 June 2022

	Note	At 30 June 2022 (unaudited)		At 31 December 2021 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties	9		2,272,505		2,258,005
Other property, plant and equipment	9		86,880		51,994
Interest in leasehold land			34,236		34,924
			2,393,621		2,344,923
Interest in associates	10		6,629		7,640
Interest in joint ventures	11		495,538		495,353
Other financial assets			134,632		135,577
Other receivables and prepayments	13(a)		112,222		104,715
Deferred tax assets			4,142		3,526
			3,146,784		3,091,734
Current assets					
Inventories	12	1,460,105		1,340,088	
Trade and other receivables	13(b)	166,574		131,347	
Tax recoverable		24,883		23,030	
Cash and bank balances	14	1,541,777		1,683,031	
		3,193,339		3,177,496	

Interim Financial Report (Continued)

Consolidated Statement of Financial Position *(continued)*

At 30 June 2022

	Note	At 30 June 2022 (unaudited)		At 31 December 2021 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	15	189,174		163,882	
Lease liabilities		8,593		2,121	
Tax payable		26,014		18,909	
		223,781		184,912	
Net current assets			2,969,558		2,992,584
Total assets less current liabilities			6,116,342		6,084,318
Non-current liabilities					
Net employee retirement benefits liabilities		3,083		2,720	
Lease liabilities		13,474		2,053	
Deferred tax liabilities		79,223	95,780	75,027	79,800
NET ASSETS			6,020,562		6,004,518
CAPITAL AND RESERVES					
Share capital	16		1,754,801		1,754,801
Reserves			4,265,761		4,249,717
TOTAL EQUITY			6,020,562		6,004,518

The notes on pages 18 to 41 form part of this interim financial report.

Interim Financial Report (Continued)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – 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 2021	1,754,801	(29,861)	458	605	4,246,294	5,972,297
Changes in equity for the six months ended 30 June 2021:						
Profit for the period	-	-	-	-	68,037	68,037
Other comprehensive income	-	1,244	(458)	-	-	786
Total comprehensive income	-	1,244	(458)	-	68,037	68,823
Transfer to retained earnings upon disposal of financial assets	-	2,445	-	-	(2,445)	-
Dividends approved in respect of the previous year	7(b)	-	-	-	(53,441)	(53,441)
Balance at 30 June 2021 and 1 July 2021	1,754,801	(26,172)	-	605	4,258,445	5,987,679
Changes in equity for the six months ended 31 December 2021:						
Profit for the period	-	-	-	-	50,212	50,212
Other comprehensive income	-	97	-	-	2,157	2,254
Total comprehensive income	-	97	-	-	52,369	52,466
Transfer to retained earnings upon disposal of financial assets	-	1,474	-	-	(1,474)	-
Dividends declared in respect of the current year	7(a)	-	-	-	(35,627)	(35,627)
Balance at 31 December 2021 and 1 January 2022	1,754,801	(24,601)	-	605	4,273,713	6,004,518
Changes in equity for the six months ended 30 June 2022:						
Profit for the period	-	-	-	-	65,073	65,073
Other comprehensive income	-	4,412	-	-	-	4,412
Total comprehensive income	-	4,412	-	-	65,073	69,485
Dividends approved in respect of the previous year	7(b)	-	-	-	(53,441)	(53,441)
Balance at 30 June 2022	1,754,801	(20,189)	-	605	4,285,345	6,020,562

The notes on pages 18 to 41 form part of this interim financial report.

Interim Financial Report (Continued)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Net cash (used in)/generated from operating activities		(78,379)	11,660
Investing activities			
Loan repaid by a joint venture	11	–	600,000
Advances to a joint venture	11	–	(300,000)
(Increase)/decrease in bank deposits with maturity over three months at acquisition		(617,920)	746
Other cash flows arising from investing activities		6,429	7,996
Payment for the purchase of property, plant and equipment		(20,794)	(1,831)
Proceeds from disposal/redemption of other financial assets		–	15,103
Proceeds from sales of investment properties		6,200	–
Net cash (used in)/generated from investing activities		(626,085)	322,014
Financing activities			
Capital element of lease rental paid		(1,197)	(1,050)
Interest element of lease rental paid		(72)	(64)
Dividends paid	7(b)	(53,441)	(53,441)
Net cash used in financing activities		(54,710)	(54,555)
Net (decrease)/increase in cash and cash equivalents		(759,174)	279,119
Cash and cash equivalents at 1 January		1,088,993	410,907
Cash and cash equivalents at 30 June	14	329,819	690,026

The notes on pages 18 to 41 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 19 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 42.

Notes to the Unaudited Interim Financial Report (Continued)

1. Basis of Preparation *(continued)*

The financial information relating to the financial year ended 31 December 2021 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 2021 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit or loss. The amendments do not have a material impact on the financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies *(continued)*

Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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.

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

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.

The segment information for the six months ended 30 June 2022 and 2021 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of		Revenue from	
	Six months		inter-segment revenue		external customers	
	ended 30 June		Six months		Six months	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	27,617	19	-	-	27,617	19
Property investment	77,911	73,708	-	-	77,911	73,708
Ferry, shipyard and related operations	57,638	77,471	534	514	57,104	76,957
Securities investment	1,189	3,813	-	-	1,189	3,813
Others	42,411	39,574	27,602	31,966	14,809	7,608
	206,766	194,585	28,136	32,480	178,630	162,105
Analysed by:						
Revenue					138,947	114,289
Other revenue					39,683	47,816
					178,630	162,105

The principal activities of the Group are property development, property investment, ferry, shipyard and related operations 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	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	27,600	–
– Revenue from ferry operations	18,756	18,682
– Revenue from shipyard operations	29,180	35,719
	75,536	54,401
Revenue from other sources		
– Property investment	54,795	52,160
– Securities investment	1,189	3,569
– Others	7,427	4,159
	63,411	59,888
	138,947	114,289

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.

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

(a) Segment revenue *(continued)*

Disaggregation in revenue *(continued)*

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.

At 30 June 2022, 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\$15,470,000 (2021: HK\$15,486,000), which will be recognised over time until the work is completed, which is expected to occur over the next 12 months.

(b) Segment result

	Reportable segment profit/(loss)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Property development	21,612	(1,591)
Property investment <i>(note 3(d))</i>	51,404	72,325
Ferry, shipyard and related operations	(418)	16,929
Securities investment	(4,413)	9,169
	68,185	96,832
Others <i>(note 3(e))</i>	8,581	4,707
	76,766	101,539

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	68,185	96,832
Other profit derived from external customers	8,581	4,707
Interest on lease liabilities	(72)	(64)
Share of profits/(losses) of associates and joint ventures (net)	461	(24,695)
Profit before taxation in the consolidated statement of profit or loss	77,155	76,780

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$11,570,000 (2021: HK\$35,502,000).

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

4. Other Net (Loss)/Income

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Change in fair value of other financial assets designated at fair value through profit or loss	(5,357)	5,215
Sundry income	2,017	1,976
Income from sale of spare parts	1,244	460
Net profit on redemption of other financial assets	–	446
Net exchange (losses)/gains	(4)	11
	(2,100)	8,108

Notes to the Unaudited Interim Financial Report (Continued)

5. Profit Before Taxation

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	2,983	2,688
Depreciation		
– owned property, plant and equipment	3,319	2,796
– right-of-use assets	1,683	1,065
Dividend income from listed investments	(1,189)	(3,569)
Interest income	(13,760)	(7,877)

6. Taxation

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	8,502	6,186
Deferred tax		
Origination and reversal of temporary differences	3,580	2,557
	12,082	8,743

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the estimated assessable profits for the six months ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

Notes to the Unaudited Interim Financial Report (Continued)

7. Dividends

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents (2021: 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.

- (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	
	2022	2021
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK15 cents (six months ended 30 June 2021: HK15 cents) per ordinary share	53,441	53,441

8. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$65,073,000 (six months ended 30 June 2021: HK\$68,037,000) and 356,273,883 (2021: 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 2022 and 2021, therefore diluted earnings per share are the same as basic earnings per share for both periods.

Notes to the Unaudited Interim Financial Report (Continued)

9. Investment Properties and Other Property, Plant and Equipment

(a) Valuation

All of the Group's investment properties were revalued as at 30 June 2022. The valuations were carried out by a 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 2021.

Based on the valuations, a net gain of HK\$11,570,000 (2021: HK\$35,502,000) has been recognised in profit or loss during the period.

(b) Right-of-use assets

During the six months ended 30 June 2022, the Group recognised the additions to right-of-use assets of HK\$19,091,000 (31 December 2021: HK\$708,000).

During the six months ended 30 June 2022, the Group received rent concessions of HK\$629,000 (2021: HK\$629,000) 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. 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 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Share of net assets	296	956
Amounts due from associates	13,750	14,077
Share of net liabilities	(623)	(599)
	13,127	13,478
Less: impairment loss	(6,794)	(6,794)
	6,629	7,640

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

Notes to the Unaudited Interim Financial Report (Continued)

11. Interest in Joint Ventures

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Share of net assets	1,954	700
Share of net liabilities	(50,816)	(49,747)
Loan to a joint venture	64,400	64,400
Advances to a joint venture	480,000	480,000
	495,538	495,353

The loan to a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner annually and has no fixed terms of repayment. The balance is not expected to be recovered within one year. During the period and as at 30 June 2022, the balance did not bear any interest.

The advances to a joint venture is unsecured, interest-bearing at Hong Kong dollar prime rate minus 3% per annum and has no fixed terms of repayment. The balance is not expected to be recovered within one year.

12. Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Property development		
Properties under development for sale	1,395,879	1,274,445
Completed properties held for sale	61,314	63,035
	1,457,193	1,337,480
Other operations	2,912	2,608
	1,460,105	1,340,088

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
(a) Non-current		
Instalment receivables	101,783	104,715
Other receivables and prepayments	10,439	–
	112,222	104,715

Instalment receivables represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included under non-current assets is not past due. Instalment receivables due within one year from the end of the reporting period are included in “Trade and other receivables” under current assets.

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
(b) Current		
Trade receivables	61,658	47,080
Instalment receivables	2,815	4,031
Less: loss allowance	(2,709)	(2,709)
	61,764	48,402
Other receivables and prepayments	62,785	47,172
Amounts due from joint ventures	42,025	35,773
	166,574	131,347

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables *(continued)*

All of the trade and other receivables 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\$50,465,000 (31 December 2021: HK\$48,804,000) which are unsecured, interest-free and are recoverable on demand. Related companies are companies under control of a company which has significant influence on the Group.

The amounts due from joint ventures include a balance of HK\$26,000,000 (31 December 2021: HK\$25,996,000) which is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner annually and is recoverable on demand. During the period and as at 30 June 2022, the balance did not bear any interest. The remaining balance is unsecured, interest-free and is recoverable on demand.

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 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Current	29,667	28,032
1 to 3 months overdue	30,195	18,220
More than 3 months but less than 12 months overdue	1,798	2,033
More than 12 months overdue	104	117
	61,764	48,402

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)

14. Cash and Bank Balances

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Deposits with banks and other financial institutions	1,211,958	1,224,478
Cash at bank and in hand	329,819	458,553
Cash and bank balances in the consolidated statement of financial position	1,541,777	1,683,031
Less: Bank deposits with maturity over three months at acquisition	(1,211,958)	(594,038)
Cash and cash equivalents in the condensed consolidated cash flow statement	329,819	1,088,993

15. Trade and Other Payables

All of the trade and other payables except for an amount of HK\$17,639,000 (31 December 2021: HK\$16,527,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$34,689,000 (31 December 2021: HK\$34,965,000) which are unsecured, interest-free and repayable within 30–45 days or repayable on demand. Related companies are companies under control of a company which has significant influence on the Group.

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 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Due within 1 month or on demand	118,160	96,381
Due after 1 month but within 3 months	625	585
Due after 3 months but within 12 months	–	–
More than 12 months	1	1
	118,786	96,967

Notes to the Unaudited Interim Financial Report (Continued)

16. Share Capital

	At 30 June 2022		At 31 December 2021	
	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 2022 and 31 December 2021 are categorised into Level 1. During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: 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 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Report (Continued)

18. Commitments

Capital commitments

- (a) Capital commitments outstanding at 30 June 2022 not provided for in this interim financial report are as follows:

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Contracted for	389,692	443,134
Authorised but not contracted for	63,102	63,102
	452,794	506,236

- (b) In relation to the capital commitments undertaken by a joint venture attributable to the Group:

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Contracted for	17,492	21,869

Notes to the Unaudited Interim Financial Report (Continued)

19. Contingent Liabilities

Financial guarantees issued

At 30 June 2022, the Company has issued the guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries, being HK\$33,000 (31 December 2021: HK\$37,000).

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 (2021: HK\$Nil).

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 2022, an amount of HK\$209,000 (31 December 2021: HK\$274,000) 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.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (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 2022. During the period, the Group received management and administrative fees in the total of HK\$30,000 (2021: HK\$40,000) from 2OK. The Group and the subsidiary of HLD 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\$17,000 (2021: HK\$19,000) from 2OK. At 30 June 2022, the amount advanced by the Group totalling HK\$1,690,000 (31 December 2021: HK\$1,735,000) 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\$1,269,000 (2021: HK\$1,187,000) was charged to the Group during the period. At 30 June 2022, an amount of HK\$1,314,000 (31 December 2021: HK\$1,265,000) remained unpaid and was included in trade and other payables.
- (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 ceilings 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 ended 30 June 2021, there was no change in cost estimates. At 30 June 2021, an amount of 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. At 30 June 2022 and 31 December 2021, the balance had been repaid.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (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 2022 and 2021, there were no change in cost estimates. At 30 June 2022, an amount of HK\$14,725,000 (31 December 2021: 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.

- (vi) 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 Shop Nos. 127-161 and corridors and toilets on Level 1, MHP (“Premises 1”) 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 1 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 over HK\$70,000,000, which shall be payable monthly in arrears. The term of the 2020 Renewal Offer Letter expired in June 2021.

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.

No fee has been credited to the Group during the period. During the period ended 30 June 2021, an amount of HK\$3,516,000, being aggregate rental and fees receivable under the aforementioned lease agreement in June 2020, was credited to the Group.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (vii) In October 2015, the Group appointed HLD Sub C as the main contractor 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 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 period ended 30 June 2021, there was no change in cost estimates. At 30 June 2021, an amount of HK\$4,620,000 remained unpaid and was included in trade and other payables. At 30 June 2022 and 31 December 2021, the balance had been repaid.
- (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 2”) for the marketing services of the TCS Property for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK\$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK\$3,600,000 for the period from 1 January 2016 to 4 January 2017. The letter agreement expired in January 2017.

In January 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease Premises 2 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 2022 and 2021. At 30 June 2022, an amount of HK\$997,000 (31 December 2021: HK\$997,000) 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)*

- (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.

In December 2021, the Loan Facility had been fully repaid.

- (x) In June 2022, a wholly-owned subsidiary of Miramar Hotel and Investment Company, Limited (“Miramar”) and an associate (as defined in the Listing Rules) of HLD, a substantial shareholder of the Company, as landlord and a wholly-owned subsidiary of the Company as tenant entered into a tenancy agreement (the “Tenancy Agreement”) in respect of the leasing of Units Nos. 901-04 & 18 on 9th Floor of Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for a term of three years from 10 June 2022 to 9 June 2025 (the “Term”) at a monthly rental (exclusive of management fee, air-conditioning charges and government rates) of HK\$473,460 for Year 1 of the Term, HK\$522,020 for Year 2 of the Term and HK\$558,440 for Year 3 of the Term, together with other ancillary charges.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

(x) *(continued)*

In accordance with the applicable HKFRS, the Group recognised the rent payable under the Tenancy Agreement (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK\$16,730,000 recognised by the Group during the period, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Tenancy Agreement. As the wholly-owned subsidiary of Miramar is an associate of HLD and thus a connected person of the Company, such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees and air-conditioning charges payable by the Group to the wholly-owned subsidiary of Miramar (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A.31 of the Listing Rules.

The annual caps of the aggregate management fees and air-conditioning charges (exclusive of Government rates) payable under the Tenancy Agreement are subject to the annual ceilings of HK\$1,000,000 for the period from 10 June 2022 to 31 December 2022, HK\$1,500,000 for the period from 1 January 2023 to 31 December 2023, HK\$1,600,000 for the period from 1 January 2024 to 31 December 2024, and HK\$800,000 for the period from 1 January 2025 to 9 June 2025.

During the period ended 30 June 2022, an amount of HK\$70,000, being the aggregate of management fees and air-conditioning charges under the Tenancy Agreement, was charged to the Group. At 30 June 2022, an amount of HK\$509,000 was prepaid and was included in trade and other receivables.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

- (xi) In June 2022, the Group appointed HLD Sub B, an indirect wholly-owned subsidiary of HLD as the sales manager to provide project sales and marketing services in respect of the comprehensively planned development of a site at The Remaining Portion of New Kowloon Inland Lot No. 6559 held by Urban Renewal Authority as the owner and the Group as the developer (the “Proposed Development”) for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed Development at a sales fee equivalent to 0.5% of the gross proceeds of sale of such units (but excluding those sale and purchase agreements which were effected by third party sales agent(s)) subject to the annual ceilings of HK\$8,000,000 for the year ending 31 December 2022, HK\$3,000,000 for the year ending 31 December 2023, HK\$2,000,000 for the year ending 31 December 2024 and HK\$1,000,000 for the period from 1 January 2025 to 31 May 2025 (but only up to and including the date being 3 years from the commencement date of the term).

No fee was charged to the Group during the period.

- (xii) In June 2022, the Group entered into a letter agreement with HLD Sub B (the “Letter Agreement”) pursuant to which HLD Sub B would provide portions of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the “Premises”) rented under the agreement entered into between a wholly-owned subsidiary of Miramar as landlord and HLD Sub B as tenant in respect of the tenancy of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (of which the Premises form part) dated 31 July 2020, as disclosed in the announcement of Miramar dated 31 July 2020 (the “Miramar/HPAL Agreement”), for use as show flats and sales office for the sale of the residential units of the Proposed Development for the period from 10 June 2022 to the earlier of 4 August 2023 and the date on which the last residential unit in the Proposed Development to be sold is sold, at a monthly rent of HK\$169,500 together with other ancillary charges, representing the relevant management fees, air-conditioning charges and the promotion contribution, the aggregate of such charges would be subject to the respective ceilings of HK\$330,000 for the period from 10 June 2022 to 31 December 2022 and HK\$330,000 for the period from 1 January 2023 to 4 August 2023.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

(xii) (continued)

In accordance with the applicable HKFRS, the Group recognised the rent (being fixed payments) payable under the Letter Agreement as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK\$2,350,000 recognised by the Group during the period, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Letter Agreement. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees, air-conditioning charges and the promotion contribution payable by the Group under the Letter Agreement (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the period ended 30 June 2022, an amount of HK\$170,000, being the rental payments to HLD Sub B under the Letter Agreement, was charged to the Group. At 30 June 2022, an amount of HK\$170,000 remained unpaid and was included in trade and other payables.

(xiii) At 30 June 2022, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (31 December 2021: 33.41%) of the total number of issued shares of the Company.

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.

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes 20(a)(v), (vi), (vii), (viii), (x), (xi) and (xii), 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 41 which comprises the consolidated statement of financial position of Hong Kong Ferry (Holdings) Company Limited (the “Company”) as of 30 June 2022 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 2022 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

19 August 2022



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