HONG KONG FERRY (HOLDINGS) COMPANY LIMITED
香 港 小 輪 (集 團) 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 50)

2015 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015 – unaudited

		Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Revenue	*3(a)*	**802,757**	3,308,641
Cost of sales		**(543,608)**	(2,089,453)
		259,149	1,219,188
Other revenue	*3(a)*	**18,987**	23,712
Other net income	*4*	**36,726**	1,069
Valuation gains on investment properties	*3(d)*	**15,192**	135,736
Impairment loss on available-for-sale securities		**(10,035)**	(6,791)
Selling and marketing expenses		**(56,584)**	(98,510)
Administrative expenses		**(24,522)**	(20,363)
Other operating expenses		**(27,833)**	(24,541)
Profit from operations	*3(b)*	**211,080**	1,229,500
Share of profits less losses of associates		**401**	246
Profit before taxation	*5*	**211,481**	1,229,746
Taxation	*6*	**(31,946)**	(181,756)
Profit attributable to equity shareholders of the Company		**179,535**	1,047,990
Earnings per share *(HK$)* – Basic and diluted	*9*	**$0.50**	$2.94

Details of dividends payable to equity shareholders of the Company are set out in note 7.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited

		Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Profit attributable to equity shareholders of the Company		**179,535**	1,047,990
Other comprehensive income for the period (after tax and reclassification adjustments):	*8*		
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities: net movement in securities revaluation reserve		**34,512**	(2,484)
Total comprehensive income attributable to equity shareholders of the Company		**214,047**	1,045,506

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	At 30 June 2015 (unaudited) HK$'000	At 30 June 2015 (unaudited) HK$'000	At 31 December 2014 (audited) HK$'000	At 31 December 2014 (audited) HK$'000
Non-current assets					
Investment properties			**2,001,100**		1,880,200
Other property, plant and equipment			**63,985**		66,631
Interest in leasehold land			**43,822**		44,507
			2,108,907		1,991,338
Interest in associates			**11,882**		13,624
Available-for-sale securities			**996,634**		521,165
Employee benefits assets			**614**		1,420
Deferred tax assets			**3,058**		5,860
			3,121,095		2,533,407
Current assets					
Inventories		**559,225**		1,084,599	
Trade and other receivables	*10*	**708,822**		893,574	
Other financial assets		**101,743**		–	
Cash and bank balances		**2,014,537**		2,530,827	
Tax recoverable		**34,625**		35,412	
		3,418,952		4,544,412	
Current liabilities					
Trade and other payables	*11*	**451,491**		1,027,561	
Tax payable		**209,023**		188,298	
		660,514		1,215,859	
Net current assets			**2,758,438**		3,328,553
Total assets less current liabilities			**5,879,533**		5,861,960
Non-current liability					
Deferred tax liabilities			**41,968**		38,929
NET ASSETS			**5,837,565**		5,823,031
CAPITAL AND RESERVES					
Share capital			**1,754,801**		1,754,801
Reserves			**4,082,764**		4,068,230
TOTAL EQUITY			**5,837,565**		5,823,031

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements have 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 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the financial year ended 31 December 2014 that is included in this interim results announcement 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 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the 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 Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 five reportable segments:

- Property development: development and sale of properties.
- Property investment: leasing of properties.
- Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.
- Travel operation: management and operation of travel agency services.
- Securities investment: debt and equity securities investments.

3. **SEGMENT REPORTING** *(Continued)*

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's 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 2015 and 2014 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue Six months ended 30 June		**Elimination of inter-segment revenue Six months ended 30 June**		**Revenue from external customers Six months ended 30 June**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**650,180**	3,163,785	**–**	–	**650,180**	3,163,785
Property investment	**43,003**	35,798	**21**	38	**42,982**	35,760
Ferry, shipyard and related operations	**66,498**	62,764	**2,149**	1,461	**64,349**	61,303
Travel operation	**50,171**	56,011	**158**	190	**50,013**	55,821
Securities investment	**3,717**	1,608	**–**	–	**3,717**	1,608
Others	**39,737**	44,058	**29,234**	29,982	**10,503**	14,076
	853,306	3,364,024	**31,562**	31,671	**821,744**	3,332,353
Analysed by:						
Revenue					**802,757**	3,308,641
Other revenue					**18,987**	23,712
					821,744	3,332,353

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

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

3. SEGMENT REPORTING *(Continued)*

Segment results *(Continued)*

(b) Segment result

	Reportable segment profit Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Property development	**134,504**	1,067,239
Property investment *(note 3(d))*	**36,318**	154,310
Ferry, shipyard and related operations	**8,760**	4,227
Travel operation	**(4,767)**	(4,262)
Securities investment	**28,648**	(5,394)
Others *(note 3(e))*	**7,617**	13,380
	211,080	1,229,500

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Reportable segment profit derived from external customers	**211,080**	1,229,500
Share of profits less losses of associates	**401**	246
Consolidated profit before taxation	**211,481**	1,229,746

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK$15,192,000 (2014: HK$135,736,000).

(e) The segment result of "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

4. OTHER NET INCOME

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Net profit on disposal of available-for-sale securities	**33,956**	658
Net unrealised gains on financial assets designated at fair value through profit or loss	**1,743**	–
Net exchange gains/(losses)	**216**	(942)
Income from sale of spare parts	**477**	235
Sundry income	**334**	1,118
	36,726	1,069

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Amortisation of leasehold land premium	**685**	685
Cost of inventories	**463,537**	2,004,321
Depreciation	**2,961**	3,001
Dividend income from listed investments	**(2,550)**	(1,608)
Interest income	**(14,044)**	(26,035)

6. TAXATION

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**26,131**	168,546
Over-provision in respect of prior year	**(26)**	(10)
	26,105	168,536
Deferred tax		
Origination and reversal of temporary differences	**5,841**	13,220
	31,946	181,756

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 June 2015.

7. DIVIDENDS

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Interim dividend of HK10 cents (2014: HK10 cents) per ordinary share declared and paid after the interim period	**35,627**	35,627
First special dividend of Nil (2014: HK90 cents) per ordinary share declared with interim dividend and paid after the interim period	**—**	320,647
	35,627	356,274

The 2015 interim dividend has not been recognised as a liability at the end of the reporting period.

7. **DIVIDENDS** *(Continued)*

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK26 cents (six months ended 30 June 2014: HK26 cents) per ordinary share	**92,631**	92,631
Second special dividend in respect of the previous financial year, approved and paid during the following interim period, of HK30 cents (six months ended 30 June 2014: Nil) per ordinary share	**106,882**	–
	199,513	92,631

8. **OTHER COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Available-for-sale securities:		
Changes in fair value recognised during the period	**57,277**	(9,275)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**(32,800)**	–
– impairment losses	**10,035**	6,791
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	**34,512**	(2,484)

9. **EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$179,535,000 (six months ended 30 June 2014: HK$1,047,990,000) and 356,273,883 (2014: 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 2015 and 2014, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 (unaudited) *HK$'000*	At 31 December 2014 (audited) *HK$'000*
Trade receivables	**214,861**	180,762
Less: allowance for doubtful debts	**(9)**	–
	214,852	180,762
Cash held by stakeholders	**454,729**	648,216
Other receivables and prepayments	**39,241**	64,596
	708,822	893,574

All of the trade and other receivables at 30 June 2015 except for instalment receivables of HK$94,690,000 (31 December 2014: HK$98,497,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables at 30 June 2015 are amounts due from related companies of HK$22,045,000 (31 December 2014: HK$38,120,000) which are unsecured, interest-free and have no fixed terms of repayment.

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the end of the reporting period:

	At 30 June 2015 (unaudited) *HK$'000*	At 31 December 2014 (audited) *HK$'000*
Current	**193,323**	151,119
1 to 3 months overdue	**16,921**	25,761
More than 3 months but less than 12 months overdue	**3,040**	2,575
More than 12 months overdue	**1,568**	1,307
	214,852	180,762

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

11. TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK$8,633,000 (31 December 2014: HK$7,622,000) are expected to be settled or recognised as income within one year. Included in the trade and other payables at 30 June 2015 are amounts due to related companies of HK$359,422,000 (31 December 2014: HK$568,502,000) which are unsecured, interest-free and have no fixed terms of repayment.

Included in trade and other payables are trade payables with the following ageing analysis as at the end of the reporting period:

	At 30 June 2015 (unaudited) ***HK$'000***	At 31 December 2014 (audited) *HK$'000*
Due within 1 month or on demand	**398,155**	665,918
Due after 1 month but within 3 months	**973**	915
More than 12 months	**8**	8
	399,136	666,841

INTERIM RESULTS AND DIVIDENDS

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2015 amounted to HK$180 million, representing a decrease of 83% as compared with the figure for the first half year of 2014. Earnings per share amounted to HK$0.50 as compared with HK$2.94 over the corresponding period of 2014.

The Board has resolved to pay an interim dividend of HK10 cents per share (2014: interim dividend of HK10 cents per share and first special dividend of HK90 cents per share) in respect of the year ending 31 December 2015. The interim dividend will be paid on or about Friday, 25 September 2015 to shareholders whose names appear on the register of members at the close of business on Wednesday, 16 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the major source of profits of the Group was mainly derived from the sale of residential units of Metro6 and Green Code. The occupation permit of Metro6 has been issued in February 2015 and it is expected that units of Metro6 can be delivered to buyers for use in September or October of this year.

Property Development and Investment Operations

During the period, the profit of the Group from the sale of Metro6 and Green Code amounted to HK$135 million. The gross rental and other income from the commercial arcades of the Group amounted to HK$37 million. The two floors of the commercial podium of Green Code have a gross floor area of approximately 136,000 sq. ft. and as of today the committed tenancy is around 71%. The relevant shops will be delivered to the tenants for use in the fourth quarter. The commercial podium of Metro6 has a gross floor area of approximately 10,000 sq. ft. and is now under leasing.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

***Property Development and Investment Operations** (Continued)*

The response from the sale of Metro6 and Green Code is satisfactory. For the six months ended 30 June 2015, the Group had sold a total of 71 residential units of Metro6 and 18 residential units of Green Code. The remaining numbers of unsold units of the two properties are 16 and 10 respectively as at today. The occupancy rate of the commercial arcades of Metro Harbour Plaza was 98% during the period. The commercial arcades of Shining Heights and The Spectacle were fully let.

As regards the development of the Tung Chau Street Project, the Group has received the approval from the relevant government departments and the superstructure works will be resumed. The project will provide a total gross floor area of approximately 55,000 sq. ft. and is expected to be completed in 2017.

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK$8.8 million, an increase of 107% as compared with the same period last year.

Travel Operation

The operating results of the Travel Operation showed a deficit of HK$4.8 million in this period, representing an increase of 12% as compared with the same period last year as a result of severe market competition, continuous reduction in the number of Chinese visitors and the Middle East Respiratory Syndrome outbreak in South Korea.

Securities Investment

A profit of HK$29 million was recorded in the Group's securities investment in the period.

Prospects

Despite the impact from the sluggish Chinese economy, the vigorous fluctuation of the A-share market and the anticipated rise in US dollar interest rate later in the second half year, the performance of the local economy, apart from retail sector, was stable in the first half year. The local GDP growth is similar to last year in real terms. The growth in number of visitors to Hong Kong has decreased, with less enthusiasm among consumers to spend. The total retail sales turnover in the first half of 2015 decreased by 1.6% on a year-to-year basis.

Although faced with the possible rise in interest rate and the volatility in the Hong Kong stock market, the local property market is still robust, with demand surpassing supply. The average residential property price has risen by 8% in the first half of the year, whilst the number of private residential property transactions increased to more than 32,000. It is expected that the residential property market will remain stable in the second half. The rental of shops and retail space, however, will be subject to downward pressure due to less sale in luxury products and retail goods.

Prospects *(Continued)*

The sales proceeds from the residential units of Metro6 and Green Code will continue to be the major source of income of the Group this year. With the abundant cash reserve in hand, the Group will continue to explore investment opportunities for the benefit of the shareholders.

Financial Review

Review of Results

During the six months ended 30 June 2015, the Group's revenue amounted to HK$803 million, representing a decrease of 76% as compared with that recorded in the same period last year. This was mainly attributable to the decrease in the sale of the residential units of Green Code.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2015 was HK$180 million, representing a decrease of 83% as compared with a profit of HK$1,048 million for the same period last year. The reason for the decrease is already mentioned in the section of Management Discussion and Analysis of this announcement.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, shareholders' funds of the Group amounted to HK$5,838 million, representing a slight increase of 0.2% as compared with the corresponding figure as at 31 December 2014. The increase was mainly due to the net effect of the proceeds realised from the sale of residential units of Metro6 and Green Code, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change to the capital structure of the Group during the period. As at 30 June 2015, the Group had no borrowing.

There was no material acquisition or disposal of any subsidiary or associate during the period. A net repayment of approximately HK$1.3 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2015, current assets of the Group stood at HK$3,419 million and current liabilities was HK$661 million. Current ratio of the Group increased from 3.7 as at 31 December 2014 to 5.2 as at 30 June 2015, mainly due to the decrease in trade and other payables.

Gearing Ratio and Financial Management

As there was no borrowing, gearing ratio was not shown. Assets of the Group were not charged to any third party during the period under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Employees

As at 30 June 2015, the Group employed about 290 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 Tuesday, 15 September 2015 and Wednesday, 16 September 2015, during which period no requests for the transfer of shares will be accepted.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 14 September 2015.

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 maintaining high standards of corporate governance. In the opinion of the Board of Directors (the "Board"), the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 standards set out in the Model Code during the six months ended 30 June 2015.

OTHER INFORMATION *(Continued)*

Directors' Securities Transactions *(Continued)*

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 2015 and reviewed the accounting principles and practices adopted by the Group and have also discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2015 with the management.

The condensed interim financial statements for the six months ended 30 June 2015 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*", issued by the HKICPA, whose unmodified review report is included in the interim financial statements to be sent to shareholders.

Remuneration Committee

The Remuneration Committee held its meeting in June 2015. The Remuneration Committee currently comprises four independent non-executive directors and two executive directors.

Publication of Interim Results and Interim Report

This interim results announcement is published on HKExnews at www.hkexnews.hk and on the website of the Company at www.hkf.com. The 2015 Interim Report of the Company will be dispatched to the shareholders of the Company and will be available on both websites in due course.

On behalf of the Board
Lam Ko Yin, Colin
Chairman

Hong Kong, 19 August 2015

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