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)

2020 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020 – unaudited

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

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 2020 – unaudited

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Profit attributable to equity shareholders of the Company	**18,164**	86,485
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	**(38,328)**	(1,623)
Item that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (recycling)	**60**	5,025
	(38,268)	3,402
Total comprehensive income attributable to equity shareholders of the Company	**(20,104)**	89,887

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020 (unaudited)		At 31 December 2019 (audited)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties			**2,175,970**		2,185,970
Other property, plant and equipment			**53,113**		52,275
Interest in leasehold land			**36,977**		37,662
			2,266,060		2,275,907
Interest in associates			**7,082**		7,145
Interest in a joint venture			**1,359,548**		1,363,748
Other financial assets			**205,041**		248,107
Deferred tax assets			**3,545**		3,526
			3,841,276		3,898,433
Current assets					
Inventories		**1,179,589**		1,162,449	
Trade and other receivables	*9*	**288,475**		313,788	
Cash and bank balances		**889,617**		974,746	
Tax recoverable		**29,013**		29,715	
		2,386,694		2,480,698	
Current liabilities					
Trade and other payables	*10*	**122,847**		137,611	
Lease liabilities		**1,466**		644	
Tax payable		**18,436**		41,438	
		142,749		179,693	
Net current assets			**2,243,945**		2,301,005
Total assets less current liabilities			**6,085,221**		6,199,438
Non-current liabilities					
Net employee retirement benefits liabilities		**1,460**		854	
Lease liabilities		**3,102**		588	
Deferred tax liabilities		**67,034**	**71,596**	64,510	65,952
NET ASSETS			**6,013,625**		6,133,486
CAPITAL AND RESERVES					
Share capital			**1,754,801**		1,754,801
Reserves			**4,258,824**		4,378,685
TOTAL EQUITY			**6,013,625**		6,133,486

NOTES:

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2020 but are extracted from that report.

The 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").

The financial information relating to the financial year ended 31 December 2019 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the announcement.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions.*

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.

3. SEGMENT REPORTING (Continued)

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

Segment results

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

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

The segment information for the six months ended 30 June 2020 and 2019 about these reportable segments is presented below:

(a) Segment revenue

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

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

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

(c) Reconciliation of reportable segment profit

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

(d) The segment result of the "Property investment" included valuation losses on investment properties of HK$11,564,000 (2019: valuation gains of HK$15,900,000).

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

4. OTHER NET (LOSS)/INCOME

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

5. PROFIT BEFORE TAXATION

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

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

6. TAXATION

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

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

7. DIVIDENDS

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interim dividend declared and paid after the interim period of HK10 cents (2019: HK10 cents) per ordinary share	**35,627**	35,627

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

7. **DIVIDENDS** (Continued)

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK28 cents (six months ended 30 June 2019: HK28 cents) per ordinary share	**99,757**	99,757

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$18,164,000 (six months ended 30 June 2019: HK$86,485,000) and 356,273,883 (2019: 356,273,883) ordinary shares in issue during the interim period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019, therefore diluted earnings per share are the same as basic earnings per share for both periods.

9. TRADE AND OTHER RECEIVABLES

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

All of the trade and other receivables except for instalment receivables of HK$139,528,000 (31 December 2019: HK$172,674,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK$58,266,000 (31 December 2019: HK$59,799,000) which are unsecured, interest-free and have no fixed terms of repayment.

The amount due from a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and has no fixed terms of repayment. During the period and as at 30 June 2020, the balance did not bear any interest.

9. TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

10. TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK$16,906,000 (31 December 2019: HK$16,072,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK$42,897,000 (31 December 2019: HK$49,395,000) which are unsecured, interest-free and repayable within 30-45 days or have no fixed terms of repayment.

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

	At 30 June 2020 (unaudited) ***HK$'000***	At 31 December 2019 (audited) *HK$'000*
Due within 1 month or on demand	**68,331**	82,843
Due after 1 month but within 3 months	**87**	513
Due after 3 months but within 12 months	**–**	9
More than 12 months	**9**	9
	68,427	83,374

INTERIM RESULTS AND DIVIDENDS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Property Development and Investment Operations

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

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

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

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

Business Review (Continued)

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

In June 2018, the Group was successfully awarded the contract for the Kweilin Street/Tung Chau Street redevelopment project in Sham Shui Po by the Urban Renewal Authority. The Group is responsible for the construction of the project with a total gross floor area of about 144,345 square feet. Upon development, the Group will be entitled to the residential gross floor area of about 97,845 square feet and the project is expected to be completed in 2023. The foundation works have been completed and superstructure works will commence soon.

Ferry, Shipyard and Related Operations

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

Securities Investment

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

Prospects

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

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

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

Appreciation

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

Review of Results

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

The consolidated net profit after taxation of the Group for the six months ended 30 June 2020 was HK$18 million, representing a decrease of 79% as compared with a profit of HK$86 million for the same period last year. The reason for the decrease in profit is already mentioned in the section of Management Discussion and Analysis of this announcement.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, shareholders' funds of the Group amounted to HK$6,014 million, representing a decrease of 2% as compared with the corresponding figure as at 31 December 2019. The decrease was mainly due to the net effect of the profit realised from property leasing, the loss on revaluation of the Group's investment properties and the payment of dividends.

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

As at 30 June 2020, current assets of the Group stood at HK$2,387 million and current liabilities were HK$143 million. Current ratio of the Group increased to 16.7 as at 30 June 2020, mainly attributed to the decrease in trade and other payables.

Charge of Assets

As at 30 June 2020, shares in the Joint Venture Company were charged to secure the loan facility made available by banks to the Joint Venture Company. Details of the loan facility, the relevant guarantees granted and the securities provided are set out in notes to the interim financial report.

Gearing Ratio and Financial Management

As there was no bank borrowing, gearing ratio was not shown. The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities policies extended to the Group were principally denominated in Hong Kong dollar.

Employees

As at 30 June 2020, the Group employed about 200 staff. The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies.

OTHER INFORMATION

Closure of Register of Members

The Register of Members will be closed on Wednesday, 16 September 2020 and Thursday, 17 September 2020, during which period no requests for the transfer of shares will be accepted.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 15 September 2020.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Arrangement to Purchase Shares, Warrants, Options or Debentures

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

Corporate Governance

The Company is committed to maintain high standard of corporate governance. In the opinion of the Board of Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all directors of the Company have complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees, (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities) in respect of their dealings in the securities of the Company in compliance with the Code Provision A.6.4 of the Code.

OTHER INFORMATION (Continued)

Audit Committee

The Audit Committee has met in August 2020 and reviewed the accounting principles and practices adopted by the Group and have also discussed interim review, internal control and financial reporting matters with the management. The unaudited interim financial report for the six months ended 30 June 2020 has been reviewed with no disagreement by the Audit Committee.

The interim financial report for the six months ended 30 June 2020 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*" issued by the HKICPA, whose unmodified review report is included in the interim financial report to be sent to shareholders.

Remuneration Committee

The Remuneration Committee held its meeting in June 2020. The Remuneration Committee currently comprises three independent non-executive directors and two executive directors.

Publication of Interim Results and Interim Financial Report

This interim results announcement is published on Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.hkf.com. The 2020 Interim Financial 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
Dr. Lam Ko Yin, Colin
Chairman

Hong Kong, 18 August 2020

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 and Mr. Lau Yum Chuen, Eddie; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.