



HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香港小輪（集團）有限公司

(Stock Code 股份代號：50)

INTERIM REPORT
中期報告
2021





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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 2021 amounted to HK\$68 million, representing an increase of 275% as compared with the figure for the first half year of 2020. Earnings per share amounted to HK\$0.19 as compared with HK\$0.05 over the corresponding period of 2020 mainly attributable to the valuation gains on the Group's investment properties.

The Board of Directors (the "Board") has declared an interim dividend of HK10 cents per share (2020: interim dividend of HK10 cents per share) in respect of the year ending 31 December 2021. The interim dividend will be paid on or about Tuesday, 28 September 2021 to shareholders whose names appear on the register of members at the close of business on Friday, 17 September 2021.

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

Due to the impact of the pandemic, the gross rental income during the period arising from the commercial arcades of the Group amounted to approximately HK\$52 million, a decrease of 2% as compared with last year. At the end of the reporting period, the commercial arcade of Metro6 was fully let, the occupancy rates of the other commercial arcades including Shining Heights, The Spectacle, Metro Harbour Plaza and Green Code Plaza range from 92% to 99%.

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

Respecting the Group's 50%/50% development joint venture with the Empire Group at Tuen Mun Town Lot No. 547, since the commencement of sale of Phase 1, "Seacoast Royale", Phase 2, "Starfront Royale" and Phase 3, "Skypoint Royale", around 1,680 residential units had been sold, amounting to approximately 95% of the total units. The total sale consideration is approximately HK\$8,200 million with an average selling price of the saleable floor area in excess of HK\$15,300 per square foot. The gross floor area of the site area is approximately 663,000 square feet and is expected to be completed by phases in 2022.

Management Discussion and Analysis (Continued)

Business Review *(continued)*

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

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

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK\$16.9 million as compared with the loss of HK\$4.1 million for the same period last year. The improvement of business results was mainly attributable to the increase in revenue from shipyard operation and the subsidy of repair and maintenance costs received from Government for ferry operation.

Securities Investment

A profit of HK\$9.2 million in securities investment was recorded mainly due to the fair value change of certain financial assets during the period.

Prospects

The outbreak of the Delta variant pandemic has cast uncertainty on the recovery of the global economy. Although many countries have enforced vaccination programs and some have adopted lockdown measures, the number of infected cases was still increasing. As Hong Kong has implemented the inbound travel quarantine policy, it is anticipated that the hotel, travel and related industries will not regain the previous glamour in the short to medium term. It is relieving to note, however, that the local infected cases in the past one and half months were basically imported cases and the local consumers' confidence has gradually returned. With the release of the "consumption voucher" by the Government starting this month, it is believed that it will continue to boost local consumption in the forthcoming months.

The Chinese Government had in the last few months announced rectification measures against the technology, gaming and private education sectors. The plunge of some of the related shares has led to the correction of the Hong Kong stock market. The Hong Kong residential property market, however, has not been affected, due to sound fundamentals, balanced supply and demand, and in particular low mortgage rates. In the first half of this year, residential transaction prices have increased by 3.4% and the number of transactions has increased by 47% respectively as compared to the corresponding period last year. The public is in earnest demand of residential flats of good quality and the property prices are expected to remain stable in the second half of the year.

The Group would continue to sell the remaining residential units of The Royale by phases. The pre-sale of the Kweilin Street/Tung Chau Street redevelopment project will begin in early 2022. It is expected that the rental income from the shops and commercial arcades will remain as the major source of income of the Group in second half year.

Management Discussion and Analysis (Continued)

Financial Review

Review of Results

During the six months ended 30 June 2021, the Group's revenue amounted to HK\$114 million, representing an increase of 9% as compared with the same period last year. This was mainly attributable to the increase of revenue from shipyard operation during the period.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2021 was HK\$68 million, representing an increase of 275% as compared with the figure for the same period last year. The reason for the increase 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 2021, shareholders' funds of the Group amounted to HK\$5,988 million, representing an increase of 0.3% as compared with the corresponding figure as at 31 December 2020. The increase was mainly due to the net effect of the profit realised from property leasing, 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 2021, current assets of the Group stood at HK\$2,580 million and current liabilities were HK\$174 million. Current ratio of the Group increased to 14.8 as at 30 June 2021, mainly attributed to the increase in cash and bank balances.

Charge of Assets

As at 30 June 2021, shares in the Joint Venture Company were charged to secure the loan facility made available by banks to the Joint Venture Company.

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 2021, 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 Thursday, 16 September 2021 and Friday, 17 September 2021, 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 Wednesday, 15 September 2021.

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

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

Arrangement to Purchase Shares, Warrants, Options or Debentures

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

Corporate Governance

The Company is committed to maintain high standard of corporate governance. In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2021.

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 2021.

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 2021 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 2021 has been reviewed with no disagreement by the Audit Committee.

The interim financial report for the six months ended 30 June 2021 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of interim financial information performed by the independent auditor of the entity*” issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included on page 40 of this report.

Remuneration Committee

The Remuneration Committee held its meeting in June 2021. The Remuneration Committee currently comprises three independent non-executive directors and two executive directors.

Directors’ Information

The Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders.

Other Information (Continued)

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

As at 30 June 2021, the Group had granted financial assistance and a guarantee to Win Standard Enterprises Limited, the Joint Venture Company held indirectly by the Company as to 50% and Empire Development Hong Kong (BVI) Limited ("Empire Group") as to 50% as set out below:

	Group's attributable interest	Amount of advances made by the Group <i>Note 1</i> <i>HK\$'000</i>	Guarantee given for the Joint Venture Company in respect of a bank facility <i>Note 2</i> <i>HK\$'000</i>	Total financial assistance made available by the Group <i>HK\$'000</i>
The Joint Venture Company	50%	791,454	1,500,000	2,291,454

Notes:

- Such advances were funded (in proportion to the Group's 50% equity interest in the Joint Venture Company) by the Group's internal resources and from its cash deposits, to finance the payment of the land premium of HK\$2,708,800,000 and professional fees incurred in relation to the acquisition of Tuen Mun Town Lot No. 547 located at Castle Peak Road - Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong (the "Land") from the Government by public tender.
- In May 2017, a loan facility agreement was entered into among, among others, the Joint Venture Company (as borrower), the Company (as guarantor), a subsidiary of Empire Group (as guarantor and obligor), and the financial institutions named therein (as lenders) in relation to a term loan facility in the aggregate principal amount of HK\$3,000,000,000 for the purpose of financing and refinancing the demolition cost, construction cost and professional fees in relation to the development on the Land and the selling and marketing expenses in relation thereto. The loan facility is secured by, among others, a corporate guarantee granted by the Company in respect of 50% of the loan facility.

Other Information (Continued)

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

The advances made by the Group to the Joint Venture Company consisted of an amount due from the Joint Venture Company and a loan to the Joint Venture Company. The amount due from the Joint Venture Company was unsecured, interest-bearing at a rate to be agreed between the Group and Empire Group and recoverable on demand (subject to the deed of subordination and assignment in favour of the lenders of the loan facility). The loan to the Joint Venture Company was unsecured, interest-bearing at a rate to be agreed between the Group and Empire Group and have no fixed terms of repayment (subject to the deed of subordination and assignment in favour of the lenders of the loan facility).

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies (as defined in the Listing Rules) with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2021 are presented as follows:

	Combined statement of financial position <i>HK\$'000</i>	Group's attributable interests <i>HK\$'000</i>
Non-current assets	17,745	8,873
Current assets	8,038,781	4,019,391
Current liabilities	(5,655,081)	(2,827,541)
Total assets less current liabilities	2,401,445	1,200,723
Non-current liabilities	(2,500,641)	(1,250,321)
Net liabilities	(99,196)	(49,598)

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 2021.

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

Hong Kong, 18 August 2021

Disclosure of Interests

Directors' Interests in Securities

As at 30 June 2021, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and underlying shares (Long positions)

Name of Director	THE COMPANY				Approximate percentage of the total number of issued shares
	Interest in shares				
	Personal Interests <i>Number of Shares</i>	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>	Total Interests <i>Number of Shares</i>	
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Mr. Li Ning	–	–	119,017,090 <i>(Note 4)</i>	119,017,090	33.41%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

Disclosure of Interests (Continued)

Directors' Interests in Securities *(continued)*

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

Name of Director	20K COMPANY LIMITED	
	Family Interests <i>Number of Shares</i>	Approximate percentage of the total number of issued shares
Mr. Li Ning <i>(Note 6)</i>	5	50.00%

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

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2021.

Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2021, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	Number of shares in which interested	Approximate percentage of the total number of issued shares
Substantial Shareholders		
Henderson Land Development Company Limited (<i>Note 1</i>)	119,017,090	33.41%
Pataca Enterprises Limited (<i>Note 1</i>)	119,017,090	33.41%
Wiselin Investment Limited (<i>Note 1</i>)	48,817,090	13.70%
Henderson Development Limited (<i>Note 2</i>)	119,017,090	33.41%
Hopkins (Cayman) Limited (<i>Note 3</i>)	119,017,090	33.41%
Rimmer (Cayman) Limited (<i>Note 3</i>)	119,017,090	33.41%
Riddick (Cayman) Limited (<i>Note 3</i>)	119,017,090	33.41%
Mr. Li Ning (<i>Note 4</i>)	119,017,090	33.41%
Dr. Lee Shau Kee (<i>Note 5</i>)	119,816,310	33.63%
Persons other than Substantial Shareholders		
Graf Investment Limited (<i>Note 1</i>)	23,400,000	6.57%
Mount Sherpa Limited (<i>Note 1</i>)	23,400,000	6.57%
Paillard Investment Limited (<i>Note 1</i>)	23,400,000	6.57%

Disclosure of Interests (Continued)

Substantial Shareholders and Others *(continued)*

Notes:

1. These 119,017,090 shares included the 48,817,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").
2. These 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.
3. These 119,017,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.
4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 shares are duplicated in the interests described in Notes 1, 2 and 3.
5. Dr. Lee Chau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Chau Kee was taken to be interested in 119,017,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Chau Kee was taken to be interested in 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 30 June 2021.
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 2021, 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 2021 – unaudited

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	3(a)	114,289	105,205
Direct costs		(77,046)	(65,687)
		37,243	39,518
Other revenue	3(a)	47,816	27,184
Other net income/(loss)	4	8,108	(161)
Valuation gains/(losses) on investment properties	3(d)	35,502	(11,564)
Selling and marketing expenses		(10)	(158)
Administrative expenses		(24,672)	(24,601)
Other operating expenses		(2,448)	(1,023)
Profit from operations	3(b)	101,539	29,195
Interest on lease liabilities		(64)	(60)
Share of profits less losses of associates		637	855
Share of losses of joint ventures		(25,332)	(4,200)
Profit before taxation	5	76,780	25,790
Taxation	6	(8,743)	(7,626)
Profit attributable to equity shareholders of the Company		68,037	18,164
Earnings per share	8		
– Basic and diluted		\$0.19	\$0.05

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

Interim Financial Report (Continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 – unaudited

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Profit attributable to equity shareholders of the Company	68,037	18,164
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)	1,244	(38,328)
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)	60
	786	(38,268)
Total comprehensive income attributable to equity shareholders of the Company	68,823	(20,104)

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

Interim Financial Report (Continued)

Consolidated Statement of Financial Position

At 30 June 2021

	Note	At 30 June 2021 (unaudited)		At 31 December 2020 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties	9		2,211,045		2,172,970
Other property, plant and equipment	9		49,341		51,371
Interest in leasehold land			35,608		36,293
			2,295,994		2,260,634
Interest in associates	10		7,156		7,423
Interest in joint ventures	11		1,202,425		1,527,257
Other financial assets			150,998		159,654
Deferred tax assets			3,526		3,527
			3,660,099		3,958,495
Current assets					
Inventories	12	1,281,186		1,231,195	
Trade and other receivables	13	262,090		269,107	
Tax recoverable		27,713		29,322	
Cash and bank balances	14	1,009,469		731,096	
		2,580,458		2,260,720	

Interim Financial Report (Continued)

Consolidated Statement of Financial Position *(continued)*

At 30 June 2021

	Note	At 30 June 2021 (unaudited)		At 31 December 2020 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	15	152,117		152,551	
Lease liabilities		2,095		1,828	
Tax payable		19,837		16,243	
		174,049		170,622	
Net current assets			2,406,409		2,090,098
Total assets less current liabilities			6,066,508		6,048,593
Non-current liabilities					
Net employee retirement benefits liabilities		4,708		4,123	
Lease liabilities		3,120		3,728	
Deferred tax liabilities		71,001	78,829	68,445	76,296
NET ASSETS			5,987,679		5,972,297
CAPITAL AND RESERVES					
Share capital	16		1,754,801		1,754,801
Reserves			4,232,878		4,217,496
TOTAL EQUITY			5,987,679		5,972,297

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

Interim Financial Report (Continued)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 – 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 2020		1,754,801	(46,560)	244	605	4,424,396	6,133,486
Changes in equity for the six months ended 30 June 2020:							
Profit for the period		-	-	-	-	18,164	18,164
Other comprehensive income		-	(38,328)	60	-	-	(38,268)
Total comprehensive income		-	(38,328)	60	-	18,164	(20,104)
Dividends approved in respect of the previous year	7(b)	-	-	-	-	(99,757)	(99,757)
Balance at 30 June 2020 and 1 July 2020		1,754,801	(84,888)	304	605	4,342,803	6,013,625
Changes in equity for the six months ended 31 December 2020:							
Profit for the period		-	-	-	-	8,424	8,424
Other comprehensive income		-	(11,740)	154	-	(2,539)	(14,125)
Total comprehensive income		-	(11,740)	154	-	5,885	(5,701)
Transfer to retained earnings upon disposal of financial assets		-	66,767	-	-	(66,767)	-
Dividends declared in respect of the current year	7(a)	-	-	-	-	(35,627)	(35,627)
Balance at 31 December 2020 and 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		1,754,801	(26,172)	-	605	4,258,445	5,987,679

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

Interim Financial Report (Continued)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021 – unaudited

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Net cash generated from operating activities		11,660	4,435
Investing activities			
Loan repaid by a joint venture	11	600,000	–
Advances to a joint venture	11	(300,000)	–
Decrease in bank deposits with maturity over three months at acquisition		746	29,319
Other cash flows arising from investing activities		6,165	11,026
Proceeds from disposal and redemption of other financial assets		15,103	–
Net cash generated from investing activities		322,014	40,345
Financing activities			
Capital element of lease rental paid		(1,050)	(773)
Interest element of lease rental paid		(64)	(60)
Dividends paid	7(b)	(53,441)	(99,757)
Net cash used in financing activities		(54,555)	(100,590)
Net increase/(decrease) in cash and cash equivalents		279,119	(55,810)
Cash and cash equivalents at 1 January		410,907	641,146
Cash and cash equivalents at 30 June	14	690,026	585,336

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

Notes to the Unaudited Interim Financial Report

1. Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 18 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 40.

Notes to the Unaudited Interim Financial Report (Continued)

1. Basis of Preparation *(continued)*

The financial information relating to the financial year ended 31 December 2020 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 2020 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 Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021* issued by the HKICPA to this interim financial report for the current accounting period.

Other than the Amendment to HKFRS 16, 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 Amendment to HKFRS 16 are discussed below:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, rent concessions beyond 30 June 2021 are accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting

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

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

- Property development: development and sale of properties.
- Property investment: rental income from leasing of properties.
- Ferry, shipyard and related operations: income from operation of dangerous goods vehicular ferry service and ship repairs and maintenance services and sales of goods on cruise vessels.
- Securities investment: dividend, interest and other income from listed securities investments.

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

Segment results

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

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

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

The segment information for the six months ended 30 June 2021 and 2020 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Property development	19	24	-	-	19	24
Property investment	73,708	73,292	-	-	73,708	73,292
Ferry, shipyard and related operations	77,471	44,045	514	510	76,957	43,535
Securities investment	3,813	1,481	-	-	3,813	1,481
Others	39,574	45,476	31,966	31,419	7,608	14,057
	194,585	164,318	32,480	31,929	162,105	132,389
Analysed by:						
Revenue					114,289	105,205
Other revenue					47,816	27,184
					162,105	132,389

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	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Revenue from ferry operations	18,682	18,668
– Revenue from shipyard operations	35,719	18,629
	54,401	37,297
Revenue from other sources		
– Property investment	52,160	52,693
– Securities investment	3,569	1,209
– Others	4,159	14,006
	59,888	67,908
	114,289	105,205

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

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

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting *(continued)*

Segment results *(continued)*

(a) Segment revenue *(continued)*

Disaggregation in revenue *(continued)*

At 30 June 2021, 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\$15,486,000 (2020: HK\$10,868,000), which will be recognised overtime until the work is completed, which is expected to occur over the next 12 months.

(b) Segment result

	Reportable segment (loss)/profit	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Property development	(1,591)	(95)
Property investment <i>(note 3(d))</i>	72,325	25,263
Ferry, shipyard and related operations	16,929	(4,135)
Securities investment	9,169	(3,621)
	96,832	17,412
Others <i>(note 3(e))</i>	4,707	11,783
	101,539	29,195

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	
	2021	2020
	HK\$'000	HK\$'000
Reportable segment profit derived from external customers	96,832	17,412
Other profit derived from external customers	4,707	11,783
Interest on lease liabilities	(64)	(60)
Share of losses of associates and joint ventures (net)	(24,695)	(3,345)
Profit before taxation in the consolidated statement of profit or loss	76,780	25,790

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK\$35,502,000 (2020: valuation losses of HK\$11,564,000).

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

4. Other Net Income/(Loss)

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Change in fair value of other financial assets designated at fair value through profit or loss	5,215	(4,798)
Sundry income	1,976	3,995
Income from sale of spare parts	460	668
Net profit on redemption of other financial assets	446	–
Net exchange gains/(losses)	11	(24)
Net loss on disposal of other property, plant and equipment	–	(2)
	8,108	(161)

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	
	2021 HK\$'000	2020 HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	2,688	1,939
Depreciation		
– owned property, plant and equipment	2,796	2,752
– right-of-use assets	1,065	795
Dividend income from listed investments	(3,569)	(1,209)
Interest income	(7,877)	(14,421)

6. Taxation

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	6,186	5,121
Deferred tax		
Origination and reversal of temporary differences	2,557	2,505
	8,743	7,626

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the estimated assessable profits for the six months ended 30 June 2021, 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 2020.

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	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents (2020: 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	
	2021	2020
	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 2020: HK28 cents) per ordinary share	53,441	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\$68,037,000 (six months ended 30 June 2020: HK\$18,164,000) and 356,273,883 (2020: 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 2021 and 2020, 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 2021. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, using the same valuation techniques as were used by this valuer when carrying out the valuations at 31 December 2020.

Based on the valuations, a net gain of HK\$35,502,000 (2020: net loss of HK\$11,564,000) has been recognised in profit or loss during the period.

(b) Right-of-use assets

During the six months ended 30 June 2021, the Group recognised the additions to right-of-use assets of HK\$708,000 (31 December 2020: HK\$6,383,000).

During the six months ended 30 June 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of Covid-19. 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 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Share of net assets	280	1,037
Amounts due from associates	14,141	13,545
Share of net liabilities	(471)	(365)
	13,670	13,180
Less: impairment loss	(6,794)	(6,794)
	7,156	7,423

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 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Share of net assets	500	–
Share of net liabilities	(42,475)	(17,143)
Loan to a joint venture	764,400	1,364,400
Advances to a joint venture	480,000	180,000
	1,202,425	1,527,257

The loan to a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and has no fixed terms of repayment. An amount of HK\$600,000,000 was recovered from a joint venture for the six months ended 30 June 2021. During the period and as at 30 June 2021, 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 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Property development		
Properties under development for sale	1,214,731	1,164,844
Completed properties held for sale	63,497	63,497
	1,278,228	1,228,341
Other operations	2,958	2,854
	1,281,186	1,231,195

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Trade receivables	177,605	197,929
Less: allowance for doubtful debts	(2,709)	(2,586)
	174,896	195,343
Other receivables and prepayments	56,507	46,049
Amounts due from joint ventures	30,687	27,715
	262,090	269,107

All of the trade and other receivables except for instalment receivables of HK\$109,526,000 (31 December 2020: HK\$124,318,000) 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\$56,731,000 (31 December 2020: HK\$61,335,000) which are unsecured, interest-free and are recoverable on demand.

The amounts due from joint ventures are unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and are recoverable on demand. During the period and as at 30 June 2021, the balance did not bear any interest.

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables *(continued)*

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

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Current	140,459	155,879
1 to 3 months overdue	28,946	27,199
More than 3 months but less than 12 months overdue	5,367	12,043
More than 12 months overdue	124	222
	174,896	195,343

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

14. Cash and Bank Balances

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Deposits with banks and other financial institutions	379,014	708,346
Cash at bank and in hand	630,455	22,750
Cash and bank balances in the consolidated statement of financial position	1,009,469	731,096
Less: Bank deposits with maturity over three months at acquisition	(319,443)	(320,189)
Cash and cash equivalents in the condensed consolidated cash flow statement	690,026	410,907

Notes to the Unaudited Interim Financial Report (Continued)

15. Trade and Other Payables

All of the trade and other payables except for an amount of HK\$13,576,000 (31 December 2020: HK\$12,632,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$40,654,000 (31 December 2020: HK\$44,327,000) which are unsecured, interest-free and repayable within 30 – 45 days or repayable on demand.

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 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Due within 1 month or on demand	90,069	97,201
Due after 1 month but within 3 months	203	65
Due after 3 months but within 12 months	–	–
More than 12 months	8	1
	90,280	97,267

Notes to the Unaudited Interim Financial Report (Continued)

16. Share Capital

	At 30 June 2021		At 31 December 2020	
	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 2021 and 31 December 2020 are categorised into Level 1. During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: 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 2021 and 31 December 2020.

Notes to the Unaudited Interim Financial Report (Continued)

18. Commitments

Capital commitments

- (a) Capital commitments outstanding at 30 June 2021 not provided for in these interim financial report are as follows:

	At 30 June 2021 (unaudited) <i>HK\$'000</i>	At 31 December 2020 (audited) <i>HK\$'000</i>
Contracted for	500,932	550,236
Authorised but not contracted for	63,608	63,657
	564,540	613,893

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

	At 30 June 2021 (unaudited) <i>HK\$'000</i>	At 31 December 2020 (audited) <i>HK\$'000</i>
Contracted for	420,218	689,812

19. Contingent Liabilities

Financial guarantees issued

At 30 June 2021, the Company has issued the following guarantees:

- (a) guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries; and
- (b) guarantees to banks in respect of banking facilities granted to its wholly-owned subsidiaries and a joint venture.

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

Notes to the Unaudited Interim Financial Report (Continued)

19. Contingent Liabilities *(continued)*

Financial guarantees issued *(continued)*

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries and the joint venture, being HK\$15,000 (31 December 2020: HK\$25,077,000).

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 (2020: 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 2021, an amount of HK\$275,000 (31 December 2020: HK\$209,000) remained unpaid and was included in trade and other receivables.

In February 2017, the Group entered into a deed of novation (the “Deed of Novation”) with HLD, HLD Sub 1 and HLD Sub 2 pursuant to which HLD Sub 1 transferred and assigned unto HLD Sub 2, and HLD Sub 2 took and assumed all of the rights and obligations of HLD Sub 1 under the Agreement subject to the terms and conditions as stated in the Deed of Novation. The Deed of Novation was supplemental to the Agreement.

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 2021. During the period, the Group received management and administrative fees in the total of HK\$40,000 (2020: HK\$40,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter’s mortgage operation and interest was charged on amounts advanced. During the period, the Group received interest amounting to HK\$19,000 (2020: HK\$24,000) from 2OK. At 30 June 2021, the amount advanced by the Group totalling HK\$1,879,000 (31 December 2020: HK\$2,038,000) 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\$1,187,000 (2020: HK\$1,195,000) was charged to the Group during the period. At 30 June 2021, an amount of HK\$1,273,000 (31 December 2020: HK\$1,216,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the period.

- (iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD (“HLD Sub C”) as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee were subject to each annual ceiling of HK\$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK\$5,500,000 and HK\$6,500,000 for the nine months ended 31 December 2009 and for the year ended 31 December 2010 respectively.

During the period, there was no change in cost estimates. At 30 June 2021, an amount of HK\$2,294,000 (31 December 2020: 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.

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 2021 and 2020, there were no change in cost estimates. At 30 June 2021, an amount of HK\$14,725,000 (31 December 2020: 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 2017, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter A (the “Renewal Offer Letter A”) in respect of the leasing of Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, MHP (“Previous Premises 1”) and Bridge area on Level 1, MHP (“Premises 2”) for a term of one year commencing from 1 July 2017 to 30 June 2018 at a monthly rental of HK\$244,000 for Previous Premises 1 and HK\$6,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant’s business conducted at Previous Premises 1 and Premises 2 over HK\$50,000,000, which shall be payable monthly in arrears. The term of the Renewal Offer Letter A expired in June 2018.

In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter B (the “Renewal Offer Letter B”) in respect of the leasing of Shop Nos. 127-161 and corridors and toilets on Level 1, MHP (“Premises 3”) for a term of three years commencing from 1 July 2017 to 30 June 2020 at a monthly rental of HK\$238,000 for Premises 3 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant’s business conducted at Premises 3 over HK\$70,000,000, which shall be payable monthly in arrears. The term of the Renewal Offer Letter B expired in June 2020.

Notes to the Unaudited Interim Financial Report (Continued)

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

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

(vi) (continued)

In June 2018, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2018 renewal offer letter A (the “2018 Renewal Offer Letter A”) in respect of the leasing of Shop Nos. G01, Portion of G31, G37-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, MHP (“Premises 1”) and Premises 2 for a term of two years commencing from 1 July 2018 to 30 June 2020 at a monthly rental of HK\$243,000 for Premises 1 and HK\$7,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant’s business conducted at Premises 1 and Premises 2 over HK\$50,000,000, which shall be payable monthly in arrears. The 2018 Renewal Offer Letter A was terminated on 1 April 2019.

In June 2020, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2020 renewal offer letter (the “2020 Renewal Offer Letter”) in respect of the leasing of Premises 3 for a term of one year commencing from 1 July 2020 to 30 June 2021 at a monthly rental of HK\$318,000 for Premises 3 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant’s business conducted at Premises 3 over HK\$70,000,000, which shall be payable monthly in arrears. The term of the 2020 Renewal Offer Letter expired in June 2021.

The aggregate amounts of rentals and other ancillary expenses receivable under the Renewal Offer Letter A and the Renewal Offer Letter B are subject to the annual ceilings for the period from 1 July 2017 to 31 December 2017 of HK\$7,500,000. In June 2021, the aggregate amounts of rentals and other ancillary expenses receivable under the 2018 Renewal Offer Letter A and the Renewal Offer Letter B are subject to the revised annual ceilings for the years ended 31 December 2018 and 31 December 2019 of HK\$15,000,000 (inclusive of the relevant cap applicable to the Renewal Offer Letter A) and HK\$15,000,000, and for the period from 1 January 2020 to 30 June 2020 of HK\$7,500,000 respectively. The aggregate amounts of rentals and other ancillary expenses receivable under the 2020 Renewal Offer Letter are subject to the annual ceilings for the period from 1 July 2020 to 31 December 2020 of HK\$5,408,000, and for the period from 1 January 2021 to 30 June 2021 of HK\$5,408,000.

During the period, an amount of HK\$3,516,000 (2020: HK\$3,027,000), being aggregate rental and fees receivable under the aforementioned lease and licences agreements in June 2017, June 2018 and 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 periods ended 30 June 2021 and 2020, there were no change in cost estimates. At 30 June 2021, an amount of HK\$4,620,000 (31 December 2020: HK\$4,620,000) remained unpaid and was included in trade and other payables.

(viii) In October 2015, the Group entered into a letter agreement with a wholly-owned subsidiary of HLD (“HLD Sub B”) and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Mira Place One (formerly known as Miramar Shopping Centre) (“Premises 4”) for the marketing services of the TCS Property for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK\$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK\$3,600,000 for the period from 1 January 2016 to 4 January 2017. The letter agreement expired in January 2017.

In January 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises 4 for use as show flats and sales office for the sale of the residential units of the TCS Property for the period from 5 January 2017 to the earlier of 4 May 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the ceiling of HK\$1,700,000. The second letter agreement expired in May 2017.

No fee has been charged to the Group during the six months ended 30 June 2021 and 2020. At 30 June 2021, an amount of HK\$997,000 (31 December 2020: 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.
- (x) At 30 June 2021, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (31 December 2020: 33.41%) of the total number of issued shares of the Company.

Dr. Lee Shau Kee is deemed to have been interested in the above transactions (except note 20(a)(ix)) as a deemed controlling shareholder of HLD.

To the extent the above transactions (except note 20(a)(ix)) constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

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

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

21. Non-Adjusting Events After the Reporting Period

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

Review Report



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

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 12 to 39 which comprises the consolidated statement of financial position of Hong Kong Ferry (Holdings) Company Limited (the “Company”) as of 30 June 2021 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 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

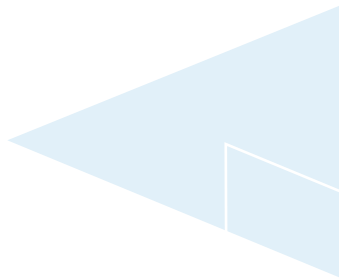
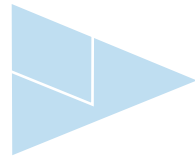
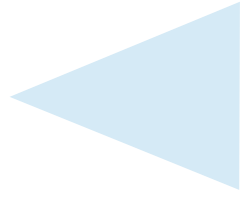
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Central, Hong Kong

18 August 2021

Hong Kong Ferry (Holdings) Company Limited





<http://www.hkf.com>

