



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
2023



Contents

目錄

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

Interim Results and Dividends

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2023 amounted to HK\$88 million, representing an increase of 35% as compared with the first half year of 2022. Earnings per share was HK\$0.25 as compared with HK\$0.18 over the corresponding period of 2022. Excluding the fair value change of the investment properties, the Group's underlying profit attributable to equity shareholders for the period under review was HK\$67 million, representing an increase of 25% from the same period last year.

The Board of Directors (the "Board") has declared an interim dividend of HK10 cents per share (2022: interim dividend of HK10 cents per share) in respect of the year ending 31 December 2023. The interim dividend will be paid on Thursday, 28 September 2023 to shareholders whose names appear on the register of members at the close of business on Thursday, 14 September 2023.

Management Discussion and Analysis

Business Review

During the period, the US Federal Reserve raised interest rates consecutively to curb inflation, resulting in the federal fund rate reaching the highest level in 22 years. As a result, the 1-month to 12-month Hong Kong dollar interbank rates have recently resumed to more than 5%, which increases the operating costs of businesses across different industries. Fortunately, with the reopening of the border between Mainland China and Hong Kong in early 2023 and the gradual increase in the flight frequency of airlines worldwide, the tourism and retail sectors began to recover. For the first half year of 2023, it was estimated that the value of total retail sales in Hong Kong increased by 20.7% compared with the same period last year. The Group's shops and commercial arcades also started to benefit. During the period under review, the Group's profit was mainly derived from rental income from those properties.

This year marks the 100th anniversary of the Company and the Group has organised various celebration activities. Mr. John Lee Ka-chiu, the Chief Executive of the Hong Kong Special Administrative Region, was the officiating guest of "Hong Kong Ferry Group's 100th Anniversary Ceremony" held at Pier No. 4 in Central on 29 April 2023. Participants of the event include political and business celebrities and mentors and mentees of the Strive and Rise Programme. The later boarded the Harbour Cruise - Bauhinia after the ceremony, enjoying the view of Victoria Harbour and experiencing the principle of "Love Hong Kong and Love the Harbour".

Property Development and Investment Operations

The gross rental income during the period arising from the commercial arcades of the Group amounted to HK\$59 million, an increase of 7% as compared with the same period last year. At the end of the reporting period, the commercial arcades of Shining Heights and Metro6 were fully let, and the occupancy rates of Green Code Plaza, Metro Harbour Plaza and The Spectacle were 97%, 93% and 89% respectively.

Management Discussion and Analysis (Continued)

Business Review (Continued)

The Royale (8 Castle Peak Road – Castle Peak Bay, Tuen Mun) Joint Venture Development Project

During the first half of 2023, seven residential units out of the stock had been delivered to buyers and revenue from such property sales was duly recognised.

The Symphonie (280 Tung Chau Street, Cheung Sha Wan) Redevelopment Project

The Group's redevelopment project "The Symphonie" in Cheung Sha Wan will provide residential gross floor area of about 100,698 square feet. The superstructure works were completed. The occupation permit had been obtained in June 2023 and interior fitting-out works are in progress. The project is expected to be completed in early 2024.

Ferry, Shipyard and Related Operations

During the period, the border between Mainland China and Hong Kong re-opened and the Harbour Cruise - Bauhinia business improved. The turnover had basically recovered to the 2018 and 2019 levels. However, the business of the Shipyard declined and the Ferry, Shipyard and Related Operations recorded a loss of HK\$3.9 million as compared with the loss of HK\$0.4 million for the same period last year.

Healthcare, Medical Aesthetic and Beauty Services

The Group established the aesthetic centre and specialist centre in the second half year of 2022 and first half year of 2023 respectively. Apart from setting up self-operating centres, the Group also cooperated with medical groups to offer professional medical services in order to increase the market share. Following the COVID-19 pandemic, the public has, to certain extent, changed their living and working habits. By providing consumer oriented high-quality services and leveraging the network of Henderson Group, the Group believes that our brand will become more popular among the public. As these businesses are in their initial stage of operations, setup losses totalling HK\$17.5 million were recorded during the period.

Management Discussion and Analysis (Continued)

Prospects

The real GDP of Hong Kong economy increased by 1.5% year-on-year in the second quarter of 2023. Private consumption expenditure increased by 8.2% year-on-year in real terms in the second quarter of 2023. Hong Kong has the distinctive advantages of enjoying strong support of the Motherland and close connection to the world. The Government spares no effort in revitalizing the economy and promoting Hong Kong. The Chief Executive, in his 2022 Policy Address, emphasised improving Hong Kong's competitiveness and "competing for talents and enterprises" and promulgated measures to "advance from stability to prosperity".

Given the opportunities brought about by the Belt and Road Initiative, Hong Kong will focus on establishing governance systems, reinforcing traditional industries and developing emerging industries, and will strengthen the connection with the world and the Greater Bay Area. Special attention will be paid to foster greater flow of people, goods, capital and information in the Greater Bay Area, and to explore emerging markets such as the Association of Southeast Asian Nations, the Middle East, Central Asia and Africa. Hong Kong is to be developed as the hub for innovative technology, art/culture and finance/trade. Led by a capable and proactive government, Hong Kong's economy is believed to recover and the city will again demonstrate its role as an international financial centre.

For the Hong Kong property market, banks have raised the HKD prime rate for the second time this year, pushing the mortgage cost to a higher level. With the chance of interest rate cut by Federal Reserve being remote this year, the local property market will be affected to a certain extent. It is expected that the property market will be relatively subdued in the second half of the year. However, the rental yield for quality commercial arcades will remain stable.

It is expected that the rental income from shops and commercial arcades together with bank interest income will continue to be the major sources of revenue of the Group in second half of the year.

Management Discussion and Analysis (Continued)

Financial Review

Review of Results

During the six months ended 30 June 2023, the Group's revenue amounted to HK\$171 million, representing an increase of 23% as compared with the same period last year. This was mainly attributable to the increase in interest income.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2023 was HK\$88 million, representing an increase of 35% 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 2023, shareholders' funds of the Group decreased 4% to HK\$6,911 million as compared with the corresponding figure as at 31 December 2022. The decrease 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 deduction of the dividend payments.

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

As at 30 June 2023, current assets of the Group stood at HK\$3,757 million and current liabilities were HK\$301 million. Current ratio of the Group decreased to 12.5 as at 30 June 2023. The decrease was mainly attributed to the increase in trade and other payables.

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 2023, the Group employed about 260 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 of the Company will be closed on Wednesday, 13 September 2023 and Thursday, 14 September 2023, during which period no requests for transfer of shares will be accepted.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 September 2023.

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

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

Arrangements to Purchase Shares, Warrants, Options or Debentures

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

Corporate Governance

The Company is committed to maintaining 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") as 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 2023.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors of the Company (the "Model Code"). Having made specific enquiry, the Company confirmed that all directors of the Company have complied with the required standard as set out in the Model Code during the six months ended 30 June 2023.

The Company has also adopted 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 be in possession of unpublished inside information in relation to the Company or its securities) in respect of their dealings in the securities of the Company in compliance with the code provision of the Code.

Other Information (Continued)

Audit Committee

The Audit Committee has met in August 2023 and reviewed the accounting principles and practices adopted by the Group and has 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 2023 has been reviewed with no disagreement by the Audit Committee.

The interim financial report for the six months ended 30 June 2023 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 May 2023. The Remuneration Committee currently comprises three independent non-executive directors and two executive directors.

Forward-Looking Statements

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

Change in the Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of Director of the Company since the date of the Annual Report 2022 and up to the date of this report required to be disclosed is shown as follows:

Mr. Chan Wai Yan, Ronald has been appointed as an independent non-executive director of Lee & Man Paper Manufacturing Limited with effect from 2 August 2023.

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

Hong Kong, 18 August 2023

Disclosure of Interests

Directors' Interests in Securities

As at 30 June 2023, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and underlying shares (Long positions)

	THE COMPANY				Approximate percentage of the total number of issued shares
	Interest in shares				
	Personal Interests <i>Number of Shares</i>	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>	Total Interests <i>Number of Shares</i>	
Name of Director					
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Li Ning	–	–	119,017,090 <i>(Note 4)</i>	119,017,090	33.41%
Mr. Lee Gabriel	180,000	–	–	180,000	0.05%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%
Mr. Chan Wai Yan, Ronald*	–	–	–	–	0.00%

* Mr. Chan Wai Yan, Ronald was appointed as an Independent Non-executive Director with effect from 20 March 2023.

Disclosure of Interests (Continued)

Directors' Interests in Securities (Continued)

Shares and underlying shares (Long positions) (Continued)

	20K COMPANY LIMITED	
	Family Interests <i>Number of Shares</i>	Approximate percentage of the total number of issued shares

Name of Director

Mr. Li Ning (Note 6)	5	50.00%
----------------------	---	--------

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

Name of Director

Mr. Li Ning (Note 7)	70	70.00%
----------------------	----	--------

Other than as stated above, no director or chief executive 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 2023.

Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2023, 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)

Notes:

1. These 119,017,090 shares included the 48,817,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").
2. These 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.
3. These 119,017,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.
4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 shares are duplicated in the interests described in Notes 1, 2 and 3.
5. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 119,017,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 30 June 2023.
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 HD had 60% indirect interest and HLD had the remaining 40% 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 2023, 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 2023 – unaudited

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	3(a)	171,269	138,947
Direct costs		(106,181)	(79,561)
		65,088	59,386
Other revenue	3(a)	36,906	39,683
Other net income/(loss)	4	3,773	(2,100)
Valuation gains on investment properties	3(d)	21,196	11,570
Selling and marketing expenses		(5,297)	(2,263)
Administrative expenses		(35,917)	(26,452)
Other operating expenses		(1,864)	(3,058)
Profit from operations	3(b)	83,885	76,766
Interest on lease liabilities		(149)	(72)
Share of profits less losses of associates		363	277
Share of profits less losses of joint ventures		17,032	184
Profit before taxation	5	101,131	77,155
Taxation	6	(13,140)	(12,082)
Profit for the period		87,991	65,073
Attributable to:			
Equity shareholders of the Company		90,027	65,073
Non-controlling interests		(2,036)	–
Profit for the period		87,991	65,073
Earnings per share (HK\$)	8		
– Basic and diluted		0.25	0.18

The notes on pages 17 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 2023 – unaudited

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Profit for the period	87,991	65,073
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	4,686	4,412
	4,686	4,412
Total comprehensive income for the period	92,677	69,485
Attributable to:		
Equity shareholders of the Company	94,713	69,485
Non-controlling interests	(2,036)	–
Total comprehensive income for the period	92,677	69,485

The notes on pages 17 to 39 form part of this interim financial report.

Interim Financial Report (Continued)

Consolidated Statement of Financial Position

At 30 June 2023

	Note	At 30 June 2023 (unaudited)		At 31 December 2022 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties	9		2,465,690		2,342,305
Other property, plant and equipment	9		71,265		79,680
Interest in leasehold land			32,870		33,555
			2,569,825		2,455,540
Interest in associates	10		7,509		7,157
Interest in joint ventures	11		748,587		946,555
Other financial assets			113,107		112,829
Other receivables and prepayments	13(a)		95,873		98,855
Net employee retirement benefits assets			–		212
Deferred tax assets			3,510		6,358
			3,538,411		3,627,506
Current assets					
Inventories	12	1,800,560		1,691,232	
Trade and other receivables	13(b)	152,767		242,415	
Tax recoverable		714		742	
Cash and bank balances	14	1,803,302		1,972,726	
		3,757,343		3,907,115	

Interim Financial Report (Continued)

Consolidated Statement of Financial Position (Continued)

At 30 June 2023

	Note	At 30 June 2023 (unaudited)		At 31 December 2022 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	15	(255,121)		(183,927)	
Lease liabilities		(7,261)		(8,400)	
Bank overdrafts		–		(701)	
Tax payable		(38,686)		(37,905)	
		(301,068)		(230,933)	
Net current assets			3,456,275		3,676,182
Total assets less current liabilities			6,994,686		7,303,688
Non-current liabilities					
Net employee retirement benefits liabilities		(67)		–	
Lease liabilities		(6,380)		(9,224)	
Deferred tax liabilities		(81,020)	(87,467)	(76,207)	(85,431)
NET ASSETS			6,907,219		7,218,257
CAPITAL AND RESERVES					
Share capital	16		1,754,801		1,754,801
Reserves			5,155,864		5,463,456
Total equity attributable to equity shareholders of the Company			6,910,665		7,218,257
Non-controlling interests			(3,446)		–
TOTAL EQUITY			6,907,219		7,218,257

The notes on pages 17 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 2023 – unaudited

	Attributable to the equity shareholders of the Company							
	Note	Share Capital HK\$'000	Securities revaluation reserve (non-recycling) HK\$'000	Other capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2022		1,754,801	(24,601)	605	4,273,713	6,004,518	–	6,004,518
Changes in equity for the six months ended 30 June 2022:								
Profit for the period		–	–	–	65,073	65,073	–	65,073
Other comprehensive income		–	4,412	–	–	4,412	–	4,412
Total comprehensive income		–	4,412	–	65,073	69,485	–	69,485
Dividends approved in respect of the previous year	7(b)	–	–	–	(53,441)	(53,441)	–	(53,441)
Balance at 30 June 2022 and 1 July 2022		1,754,801	(20,189)	605	4,285,345	6,020,562	–	6,020,562
Changes in equity for the six months ended 31 December 2022:								
Profit for the period		–	–	–	1,234,063	1,234,063	–	1,234,063
Other comprehensive income		–	(4,103)	–	3,362	(741)	–	(741)
Total comprehensive income		–	(4,103)	–	1,237,425	1,233,322	–	1,233,322
Dividends declared in respect of the current year	7(a)	–	–	–	(35,627)	(35,627)	–	(35,627)
Balance at 31 December 2022 and 1 January 2023		1,754,801	(24,292)	605	5,487,143	7,218,257	–	7,218,257
Changes in equity for the six months ended 30 June 2023:								
Profit for the period		–	–	–	90,027	90,027	(2,036)	87,991
Other comprehensive income		–	4,686	–	–	4,686	–	4,686
Total comprehensive income		–	4,686	–	90,027	94,713	(2,036)	92,677
Dividends approved in respect of the previous year	7(b)	–	–	–	(409,715)	(409,715)	–	(409,715)
Shares issued to non-controlling interests (note)		–	–	7,410	–	7,410	(1,410)	6,000
Balance at 30 June 2023		1,754,801	(19,606)	8,015	5,167,455	6,910,665	(3,446)	6,907,219

Note: During the reporting period, a subsidiary of the Company reached a Subscription and Shareholders Agreement with an external party under which the subsidiary agrees to issue to the external party, and the external party agrees to subscribe for ordinary shares at HK\$6,000,000 (the “Subscription”). The Subscription was completed on 19 January 2023.

The notes on pages 17 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 2023 – unaudited

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Net cash generated from/(used in) operating activities		73,775	(78,379)
Investing activities			
Loan repaid by a joint venture	11	215,000	–
Interest received		53,260	13,065
Decrease/(increase) in bank deposits with maturity over three months at acquisition		141,769	(617,920)
Other cash flows arising from investing activities		1,260	(6,636)
Payment for the purchase of property, plant and equipment		(468)	(20,794)
Payment for addition to investment properties		(103,450)	–
Proceeds from sales of investment properties		–	6,200
Net cash generated from/(used in) investing activities		307,371	(626,085)
Financing activities			
Capital element of lease rental paid		(4,236)	(1,197)
Interest element of lease rental paid		(149)	(72)
Proceed from shares issued to non-controlling interests		6,000	–
Dividends paid	7(b)	(409,715)	(53,441)
Net cash used in financing activities		(408,100)	(54,710)
Net decrease in cash and cash equivalents		(26,954)	(759,174)
Cash and cash equivalents at 1 January		150,914	1,088,993
Cash and cash equivalents at 30 June	14	123,960	329,819

The notes on pages 17 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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2022 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 2022 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

(a) New and amended HKFRSs

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group.

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies (Continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

Notes to the Unaudited Interim Financial Report (Continued)

2. Changes in Accounting Policies (Continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (Continued)

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

3. Segment Reporting

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

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

- Property development: development and sale of properties.
- Property investment: 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.
- Healthcare, medical aesthetic and beauty services: income from provision of healthcare, medical aesthetic and beauty services.
- Securities investment: dividend, interest and other income from listed securities investments.

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

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting (Continued)

Segment results

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

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

The segment information for the six months ended 30 June 2023 and 2022 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of		Revenue from	
	Six months		inter-segment revenue		external customers	
	ended 30 June		Six months		Six months	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	32	27,617	-	-	32	27,617
Property investment	83,773	77,911	-	-	83,773	77,911
Ferry, shipyard and related operations	69,801	57,638	642	534	69,159	57,104
Healthcare, medical aesthetic and beauty services	4,258	-	-	-	4,258	-
Securities investment	7,719	1,189	-	-	7,719	1,189
Others	77,313	42,411	34,079	27,602	43,234	14,809
	242,896	206,766	34,721	28,136	208,175	178,630
Analysed by :						
Revenue					171,269	138,947
Other revenue					36,906	39,683
					208,175	178,630

The principal activities of the Group are property development, property investment, ferry, shipyard and related operations, healthcare, medical aesthetic and beauty services 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	
	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	–	27,600
– Revenue from ferry operations	36,113	18,756
– Revenue from shipyard operations	27,792	29,180
– Revenue from healthcare, medical aesthetic and beauty services	4,254	–
	68,159	75,536
Revenue from other sources		
– Property investment	59,668	54,795
– Securities investment	1,229	1,189
– Others	42,213	7,427
	103,110	63,411
	171,269	138,947

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

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

Notes to the Unaudited Interim Financial Report (Continued)

3. Segment Reporting (Continued)

Segment results (Continued)

(a) Segment revenue (Continued)

Disaggregation in revenue (Continued)

At 30 June 2023, the aggregate amount of revenue expected to be recognised in profit or loss in the future from construction and repairing contracts entered into in relation to the Group's shipyard operations amounted to HK\$10,648,000 (2022: HK\$15,470,000), which will be recognised over time until the work is completed, which is expected to occur over the next 12 months.

(b) Segment result

	Reportable segment profit/(loss)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Property development	1,833	21,612
Property investment (note 3(d))	61,175	51,404
Ferry, shipyard and related operations	(3,865)	(418)
Healthcare, medical aesthetic and beauty services	(17,537)	–
Securities investment	(3,374)	(4,413)
	38,232	68,185
Others (note 3(e))	45,653	8,581
	83,885	76,766

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	
	2023 HK\$'000	2022 HK\$'000
Reportable segment profit derived from external customers	38,232	68,185
Other profit derived from external customers	45,653	8,581
Interest on lease liabilities	(149)	(72)
Share of profits of associates and joint ventures (net)	17,395	461
Profit before taxation in the consolidated statement of profit or loss	101,131	77,155

(d) The segment result of the “Property investment” included valuation gains on investment properties of HK\$21,196,000 (2022: HK\$11,570,000).

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

4. Other Net Income/(Loss)

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Construction cost adjustment (<i>note</i>)	5,239	–
Sundry income	1,962	2,017
Gain on lease modifications	494	–
Income from sale of spare parts	481	1,244
Net exchange gains/(losses)	5	(4)
Change in fair value of other financial assets designated at fair value through profit or loss	(4,408)	(5,357)
	3,773	(2,100)

Note: Construction cost adjustment represents the revision of the original construction costs of the properties completed in prior years, confirmed by the surveyors during the six months ended 30 June 2023.

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	
	2023	2022
	HK\$'000	HK\$'000
Amortisation of leasehold land premium	685	685
Cost of inventories	9,383	2,983
Depreciation		
– owned property, plant and equipment	5,174	3,319
– right-of-use assets	4,456	1,683
Dividend income from listed investments	(1,229)	(1,189)
Interest income	(48,774)	(13,760)

6. Taxation

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	5,479	8,502
Deferred tax		
Origination and reversal of temporary differences	7,661	3,580
	13,140	12,082

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the estimated assessable profits for the six months ended 30 June 2023, 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 2022.

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	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents (2022: 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	
	2023	2022
	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 2022: HK15 cents) per ordinary share	53,441	53,441
Special dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$1.00 (six months ended 30 June 2022: Nil) per ordinary share	356,274	–
	409,715	53,441

Notes to the Unaudited Interim Financial Report (Continued)

8. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$90,027,000 (six months ended 30 June 2022: HK\$65,073,000) and 356,273,883 (2022: 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 2023 and 2022, therefore diluted earnings per share are the same as basic earnings per share for both periods.

9. Investment Properties and Other Property, Plant and Equipment

(a) Valuation

All of the Group's investment properties were revalued as at 30 June 2023. The valuations were carried out by a firm of surveyors, Cushman & Wakefield Limited, using the same valuation techniques as were used by this valuer when carrying out the valuations at 31 December 2022.

Based on the valuations, a net gain of HK\$21,196,000 (2022: HK\$11,570,000) has been recognised in profit or loss during the period.

(b) Right-of-use assets

During the six months ended 30 June 2023, the Group recognised the additions to right-of-use assets of HK\$732,000 (31 December 2022: HK\$19,096,000).

During the six months ended 30 June 2022, the Group received rent concessions of HK\$629,000 in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of Covid-19. All eligible rent concessions received by the Group had 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.

Notes to the Unaudited Interim Financial Report (Continued)

10. Interest in Associates

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Share of net assets	430	793
Amounts due from associates	14,174	13,437
Share of net liabilities	(301)	(279)
	13,873	13,158
Less: impairment loss	(6,794)	(6,794)
	7,509	7,157

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

11. Interest in Joint Ventures

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Share of net assets	483,895	466,782
Share of net liabilities	(308)	(227)
Advances to a joint venture	265,000	480,000
	748,587	946,555

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. An amount of HK\$215,000,000 was recovered from a joint venture during the six months ended 30 June 2023.

Notes to the Unaudited Interim Financial Report (Continued)

12. Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Property development		
Properties under development for sale	6,933	1,625,071
Completed properties held for sale	1,787,921	61,314
	1,794,854	1,686,385
Other operations	5,706	4,847
	1,800,560	1,691,232

13. Trade and Other Receivables

(a) Non-current

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Instalment receivables	93,392	96,374
Other receivables and prepayments	2,481	2,481
	95,873	98,855

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

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables (Continued)

(b) Current

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Trade receivables	55,298	53,880
Instalment receivables	4,049	2,613
Less: loss allowance	(2,651)	(2,709)
	56,696	53,784
Other receivables and prepayments	71,265	73,119
Amounts due from joint ventures	24,806	115,512
	152,767	242,415

All of the trade and other receivables are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK\$59,085,000 (31 December 2022: HK\$54,336,000) which are unsecured, interest-free and recoverable on demand. Related companies are companies under control of a company which has significant influence on the Group.

The amounts due from joint ventures are unsecured, interest-free and recoverable on demand.

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Other Receivables (Continued)

(b) Current (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 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Current	30,930	27,633
1 to 3 months overdue	22,112	24,198
More than 3 months but less than 12 months overdue	3,638	1,845
More than 12 months overdue	16	108
	56,696	53,784

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 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Deposits with banks and other financial institutions	1,690,442	1,821,111
Cash at bank and in hand	112,860	151,615
Cash and bank balances in the consolidated statement of financial position	1,803,302	1,972,726
Less: Bank overdrafts	–	(701)
Less: Bank deposits with maturity over three months at acquisition	(1,679,342)	(1,821,111)
Cash and cash equivalents in the condensed consolidated cash flow statement	123,960	150,914

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\$17,053,000 (31 December 2022: HK\$16,172,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK\$26,546,000 (31 December 2022: HK\$40,270,000) which are unsecured, interest-free and repayable within 30 – 45 days or repayable on demand. Related companies are companies under control of a company/person which has significant influence on the Group.

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

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Due within 1 month or on demand	163,292	115,129
Due after 1 month but within 3 months	1,225	766
Due after 3 months but within 12 months	–	–
More than 12 months	2	2
	164,519	115,897

16. Share Capital

	At 30 June 2023		At 31 December 2022	
	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

Notes to the Unaudited Interim Financial Report (Continued)

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 assets 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 2023 and 31 December 2022 are categorised into Level 1. During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: 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 assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30 June 2023 and 31 December 2022.

18. Commitments

Capital commitments

Capital commitments outstanding at 30 June 2023 not provided for in this interim financial report are as follows:

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Contracted for	–	104,117
Authorised but not contracted for	–	63,102
	–	167,219

Notes to the Unaudited Interim Financial Report (Continued)

19. Contingent Liabilities

Financial guarantees issued

At 30 June 2023, the Company has issued the guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries.

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

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries, being HK\$35,000 (31 December 2022: HK\$71,000).

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 (2022: 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 2023, an amount of HK\$285,000 (31 December 2022: HK\$277,000) 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 2023. During the period, the Group received management and administrative fees in the total of HK\$13,000 (2022: HK\$30,000) from 2OK. The Group and the subsidiary of HLD have made advances to 2OK to finance the latter’s mortgage operation and interest was charged on amounts advanced. During the period, the Group received interest amounting to HK\$20,000 (2022: HK\$17,000) from 2OK. At 30 June 2023, the amount advanced by the Group totalling HK\$1,501,000 (31 December 2022: HK\$1,591,000) 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\$1,419,000 (2022: HK\$1,269,000) was charged to the Group during the period. At 30 June 2023, an amount of HK\$1,419,000 (31 December 2022: HK\$1,372,000) remained unpaid and was included in trade and other payables.
- (iv) In March 2011, the Group entered into a Fanling Prime Cost Contract and 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 Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the “Fanling Property”). 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 C 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 period, as a result of change in the latest cost estimates, an amount of HK\$6,417,000 and HK\$321,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development of the Fanling Property and the 5% fee on all works relating to the development of the Fanling Property. At 31 December 2022, an amount of 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. At 30 June 2023, the balance has been repaid.

Notes to the Unaudited Interim Financial Report (Continued)

20. Material Related Party and Connected Transactions (Continued)

(a) Material related party and connected transactions (Continued)

(iv) (Continued)

Under the term of Fanling Prime Cost Contract Extension Letter, the contract expired in December 2015.

(v) 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 1”) for the marketing services of 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (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 1 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 2023 and 2022. At 30 June 2023, an amount of HK\$997,000 (31 December 2022: HK\$997,000) remained unpaid and was included in trade and other payables.

(vi) In June 2022, a wholly-owned subsidiary of Miramar Hotel and Investment Company, Limited (“Miramar”) and an associate (as defined in the Listing Rules) of HLD, a substantial shareholder (as defined in the Listing Rules) of the Company, as landlord and a wholly-owned subsidiary of the Company as tenant entered into a tenancy agreement (the “Tenancy Agreement”) in respect of the leasing of Units Nos. 901-04 & 18 on 9th Floor of Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for a term of three years from 10 June 2022 to 9 June 2025 (the “Term”) at a monthly rental (exclusive of management fee, air-conditioning charges and government rates) of HK\$473,000 for Year 1 of the Term, HK\$522,000 for Year 2 of the Term and HK\$558,000 for Year 3 of the Term, together with other ancillary charges.

Notes to the Unaudited Interim Financial Report (Continued)

20. Material Related Party and Connected Transactions (Continued)

(a) Material related party and connected transactions (Continued)

(vi) (Continued)

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

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

During the period ended 30 June 2023, an amount of HK\$660,000 (2022: HK\$70,000), being the aggregate of management fees and air-conditioning charges under the Tenancy Agreement, was charged 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 June 2022, the Group appointed HLD Sub B, an indirect wholly-owned subsidiary of HLD as the sales manager to provide project sales and marketing services in respect of the comprehensively planned development of a site at The Remaining Portion of New Kowloon Inland Lot No. 6559 held by Urban Renewal Authority as the owner and the Group as the developer (the “Proposed Development”) for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed Development at a sales fee equivalent to 0.5% of the gross proceeds of sale of such units (but excluding those sale and purchase agreements which were effected by third party sales agent(s)) subject to the annual ceilings of HK\$8,000,000 for the year ended 31 December 2022, HK\$3,000,000 for the year ending 31 December 2023, HK\$2,000,000 for the year ending 31 December 2024 and HK\$1,000,000 for the period from 1 January 2025 to 31 May 2025 (but only up to and including the date being 3 years from the commencement date of the term).

No fee was charged to the Group during the period.

- (viii) In June 2022, the Group entered into a letter agreement with HLD Sub B (the “Letter Agreement”) pursuant to which HLD Sub B would provide portions of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the “Premises”) rented under the agreement entered into between a wholly-owned subsidiary of Miramar as landlord and HLD Sub B as tenant in respect of the tenancy of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (of which the Premises form part) dated 31 July 2020, as disclosed in the announcement of Miramar dated 31 July 2020 (the “Miramar/HPAL Agreement”), for use as show flats and sales office for the sale of the residential units of the Proposed Development for the period from 10 June 2022 to the earlier of 4 August 2023 and the date on which the last residential unit in the Proposed Development to be sold is sold, at a monthly rent of HK\$170,000 together with other ancillary charges, representing the relevant management fees, air-conditioning charges and the promotion contribution, the aggregate of such charges would be subject to the respective ceilings of HK\$330,000 for the period from 10 June 2022 to 31 December 2022 and HK\$330,000 for the period from 1 January 2023 to 4 August 2023.

Notes to the Unaudited Interim Financial Report (Continued)

20. Material Related Party and Connected Transactions (Continued)

(a) Material related party and connected transactions (Continued)

(viii) (Continued)

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

During the period ended 30 June 2023, an amount of HK\$216,000 (2022: HK\$170,000), being the management fees, air-conditioning charges and the promotion contribution to HLD Sub B under the Letter Agreement, was charged to the Group. At 30 June 2023, an amount of HK\$458,000 (31 December 2022: HK\$242,000) remained unpaid and was included in trade and other payables.

(ix) At 30 June 2023, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (31 December 2022: 33.41%) of the total number of issued shares of the Company.

To the extent the above transactions 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)(iv), (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 11 to 39 which comprises the consolidated statement of financial position of Hong Kong Ferry (Holdings) Company Limited (the “Company”) as of 30 June 2023 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 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

18 August 2023



<http://www.hkf.com>

