



HONG KONG FERRY (HOLDINGS) CO. LTD.  
香港小輪 (集團) 有限公司  
(Stock code 股份代號: 00050)



Interim Report  
2008 中期報告



## INTERIM RESULTS AND DIVIDEND

The unaudited consolidated net loss after taxation of the Group for the six months ended 30 June 2008 amounted to HK\$62.2 million and the loss per share was 17.4 cents. A profit of HK\$214.5 million was recorded in the corresponding period in 2007 and the earnings per share last year were 60.2 cents.

The Board has resolved to pay an interim dividend of 10 cents (2007: 10 cents) per share in respect of the financial year ending 31 December 2008. The interim dividend will be paid on or about Friday, 17 October 2008 to shareholders whose names appear on the register of members at the close of business on Friday, 10 October 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In compliance with the current accounting standards, the Group's investments including equity-linked notes ("ELN") are required to be marked-to-market for ascertaining the profit and loss for each reporting period, irrespective of upward or downward movements. As at the last financial year end, the Group's ELN investment recorded a gain of approximately HK\$310 million under a robust stock market, comprising approximately HK\$104 million of realised gain and HK\$206 million of marked-to-market unrealised gain. Due to the downturn of the stock market in 2008, the ELN depreciated in value and recorded a marked-to-market loss of HK\$223 million for the period under review. Up to 30 June 2008, the realised and unrealised gain of the Group's investment in ELN so far, including currency exchange gain was, however, still higher than its cost, showing a net cumulative gain of HK\$110 million. The Group will continue to hold the portfolio as an investment.

The sale of the residential units of Metro Harbour View (8 Fuk Lee Street, Tai Kok Tsui, Kowloon) and MetroRegalia (51 Tong Mi Road) during the period recorded a profit of HK\$46.7 million.

### Property Development and Investment Operations

#### ***8 Fuk Lee Street ("Metro Harbour View")***

During the period under review, the remaining 6 residential units were sold. Rental income derived from the commercial arcade, Metro Harbour Plaza, amounted to HK\$16.7 million during the period, an increase of 8% as compared with the same period last year. The occupancy rate as at the end of June was approximately 96%.

#### ***51 Tong Mi Road ("MetroRegalia")***

During the period under review, the remaining 12 residential units were sold. Rental income derived from the shopping mall of MetroRegalia amounted to HK\$0.6 million during the period with the occupancy rate at 96%.

**83 Sycamore Street ("Shining Heights") [formerly known as 222 Tai Kok Tsui Road]**

The residential-cum-commercial project has a total gross floor area of approximately 320,000 sq. ft., comprising approximately 270,000 sq. ft. of residential space and 50,000 sq. ft. of non-residential space. The building is regarded as one of the landmarks of West Kowloon. The superstructure has been completed and the project is expected to be offered for sale by the end of this year.

**6 Cho Yuen Street, Yau Tong**

Good progress has been made in the construction of the building. The total gross floor area of the project is approximately 165,000 sq. ft., comprising approximately 140,000 sq. ft. for residential use and 25,000 sq. ft. for non-residential use. The project is scheduled to be completed in mid-2009.

**Ferry, Shipyard and Related Operations**

Due to the adoption of new marketing strategy, the turnover of the harbour cruise operations increased by 39%. The turnover of vehicular ferry operations and shipyard operations also increased by 11% and 14% respectively. However, the Ferry, Shipyard and Related Operations recorded a loss of HK\$1.6 million during the period in view of the increase in fuel oil price.

**Travel and Hotel Operations**

As a result of the closure of the Old Wing in Silvermine Beach Hotel for renovation, the turnover of the Travel and Hotel Operations decreased by 5%, resulting in a deficit of HK\$2.2 million. The Travel and Hotel Operations is expected to improve after the completion of the renovation.

**PROSPECTS**

The expanding property investment portfolio will form a base of stable return. The expected sale of the Sycamore Street property in late 2008 and the Yau Tong project in the first half year of 2009 will bring about considerable income for the Group. The Group has abundant cash reserves of approximately HK\$600 million and will explore suitable investments to maximize the return to shareholders.

**FINANCIAL REVIEW****Review of Results**

During the six-month period ended 30 June 2008, the Group's turnover amounted to HK\$302 million, representing a decrease of 5% as compared with that recorded in the same period last year. This was mainly attributed to the decrease in the sales of the residential units of Metro Harbour View and MetroRegalia.

The consolidated net loss after taxation of the Group for the six-month period ended 30 June 2008 was HK\$62.2 million, representing a decrease of 129% against HK\$214.5 million profit for the same period last year. The reason for the decrease is given in the Management Discussion and Analysis section of this report.

### **Liquidity, Financial Resources and Capital Structure**

As at 30 June 2008, shareholders' funds amounted to HK\$3,493 million, a decrease of 5.2% compared with the corresponding figure for 31 December 2007. The decrease was mainly due to the marked-to-market loss of the ELN.

There was no change to the capital structure of the Group during the period. As at 30 June 2008, the Group had no borrowing.

There was no material acquisition or disposal of any subsidiary or associate during the period. A net repayment of approximately HK\$11.5 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View flats.

As at 30 June 2008, current assets of the Group stood at HK\$2,445 million, compared to current liabilities of HK\$404 million. Current ratio of the Group decreased from 6.9 as at 31 December 2007 to 6 as at 30 June 2008 mainly due to the change in fair value of the ELN.

### **Gearing Ratio and Financial Management**

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

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar. All ELN are denominated in Australian dollar, with the incidental foreign exchange exposure being kept under periodic review. The management will consider appropriate hedging measures, if necessary.

### **Employees**

As at 30 June 2008, the Group employed about 380 staff, who were remunerated according to current market levels and practices. A discretionary year-end bonus was paid to employees with meritorious performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and education subsidies.

## OTHER INFORMATION

### CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 8 October 2008 to Friday, 10 October 2008, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 6 October 2008.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

There has been no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries during the period under review.

### 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 in, options, debentures or warrants of the Company or any other body corporate.

### CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance. In the opinion of the directors of the board (the "Board"), the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2008.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of 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 had complied with the required standard as set out in the Model Code during the six months ended 30 June 2008.

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 be in possession of unpublished price sensitive 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.5.4 of the CG Code.

## **AUDIT COMMITTEE**

The Audit Committee has met in September 2008 and reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters including the review of the unaudited interim report for the period ended 30 June 2008 with the management.

In addition, the Group's external auditors, KPMG, have also performed an independent review of the interim financial statements for the six months ended 30 June 2008 and have confirmed that they are not aware of any material modifications that should be made to the said interim financial statements.

## **REMUNERATION COMMITTEE**

The Remuneration Committee held its meeting in July 2008. The Remuneration Committee currently comprises three Independent Non-executive directors and two Executive directors.

On behalf of the Board

**Colin Lam Ko Yin**

*Chairman*

Hong Kong, 12 September 2008





Other than as stated above, no directors 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 2008.

## SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 30 June 2008, the interests of every person in the ordinary shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	No. of shares in which interested	Approximate percentage of total issued shares
<b>Substantial Shareholders</b>		
Henderson Land Development Company Limited ( <i>Note 1</i> )	111,732,090	31.36%
Pataca Enterprises Limited ( <i>Note 1</i> )	70,200,000	19.70%
Wiselin Investment Limited ( <i>Note 2</i> )	41,532,090	11.66%
Max-mercan Investment Limited ( <i>Note 2</i> )	41,532,090	11.66%
Camay Investment Limited ( <i>Note 2</i> )	41,532,090	11.66%
Henderson Development Limited ( <i>Note 3</i> )	111,732,090	31.36%
Hopkins (Cayman) Limited ( <i>Note 4</i> )	111,732,090	31.36%
Rimmer (Cayman) Limited ( <i>Note 4</i> )	111,732,090	31.36%
Riddick (Cayman) Limited ( <i>Note 4</i> )	111,732,090	31.36%
Mr. Li Ning ( <i>Note 5</i> )	111,732,090	31.36%
Dr. Lee Shau Kee ( <i>Note 6</i> )	119,531,310	33.55%
<b>Persons other than Substantial Shareholders</b>		
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%

*Notes:*

All shares referred to below, unless otherwise stated, form part of the same parcel of 111,732,090 shares.

- These 111,732,090 shares were beneficially owned by some of the subsidiaries of Henderson Land Development Company Limited ("HLD"). Of these 111,732,090 shares, 70,200,000 shares were owned by some of the subsidiaries (viz., Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, each of which owned 23,400,000 shares) of Pataca Enterprises Limited, which was itself a subsidiary of HLD.
- These 41,532,090 shares, which constitute part of the said 111,732,090 shares, were beneficially owned by Wiselin Investment Limited which was a subsidiary of Max-mercan Investment Limited. Max-mercan Investment Limited was a subsidiary of Camay Investment Limited ("Camay") which in turn was a subsidiary of HLD.



3. These 111,732,090 shares are duplicated in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD which was, in turn, the holding company of Camay.
4. These 111,732,090 shares are duplicated in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of 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.
5. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 111,732,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 111,732,090 shares are duplicated in the interests described in Notes 1, 2, 3 and 4.
6. 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 111,732,090 shares which are duplicated in the interests described in Notes 1, 2, 3 and 4. Together with his personal shareholding of 7,799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,531,310 shares (approximately 33.55 per cent of the total issued share capital of the Company) as at 30 June 2008.
7. Mr. Kan Yuet Loong, Michael has retired from his office as an independent non-executive director by rotation in accordance with the Articles of Association of the Company at the annual general meeting of the Company held on 7 May 2008 and did not offer himself for re-election for the reason of retirement. Meanwhile, Ms. Wong Yu Pok, Marina has been appointed as an independent non-executive director of the Company with effect from 8 May 2008.

Save as disclosed, as at 30 June 2008, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

## CONDENSED INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2008 – unaudited

	Note	Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Turnover	2(a)	301,820	317,388
Cost of sales		(212,488)	(186,039)
		89,332	131,349
Other revenue	2(a)	23,038	20,001
Other net (loss)/income	3	(198,232)	111,629
Revaluation gains on investment properties	2(c)	46,701	20,930
Fair value gain on transfer of properties held for sale to investment properties	2(c)	23,045	–
Selling and marketing expenses		(7,745)	(9,772)
Administrative expenses		(19,661)	(20,032)
Other operating expenses		(18,756)	(20,155)
<b>(Loss)/profit from operations</b>	2(b)	<b>(62,278)</b>	233,950
Share of profits of associates		179	386
<b>(Loss)/profit before taxation</b>	4	<b>(62,099)</b>	234,336
Taxation	5	(64)	(19,834)
<b>(Loss)/profit attributable to equity shareholders of the Company</b>		<b>(62,163)</b>	214,502
Dividends payable to equity shareholders of the Company attributable to the interim period	6(a)	35,627	35,627
Basic (loss)/earnings per share (cents)	7	(17.4)	60.2

The notes on pages 13 to 29 form part of these condensed interim financial statements.

**CONSOLIDATED BALANCE SHEET**

As at 30 June 2008

	Note	At 30 June 2008 (unaudited)		At 31 December 2007 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets					
- Investment properties	8		871,500		780,200
- Other property, plant and equipment			111,105		115,130
- Interest in leasehold land			53,811		54,501
			<u>1,036,416</u>		<u>949,831</u>
Interest in associates	9		140,535		151,868
Properties under development - held for investment			50,790		44,498
Available-for-sale equity securities			188,576		193,668
Employee benefits assets			9,536		8,590
Deferred tax assets			63,920		56,276
			<u>1,489,773</u>		<u>1,404,731</u>
<b>Current assets</b>					
Inventories	10	1,102,101		1,022,040	
Trade and other receivables	11	137,882		164,598	
Derivative financial instruments	12	578,456		638,470	
Tax recoverable		1,778		1,900	
Cash and cash equivalents	13	624,754		872,106	
		<u>2,444,971</u>		<u>2,699,114</u>	
<b>Current liabilities</b>					
Bank overdrafts	13		176		287
Trade and other payables	14		205,711		191,920
Provision for litigation	18(a)		160,000		160,000
Tax payable			38,488		38,478
			<u>404,375</u>		<u>390,685</u>
<b>Net current assets</b>			<u>2,040,596</u>		<u>2,308,429</u>
<b>Total assets less current liabilities</b>			<u>3,530,369</u>		<u>3,713,160</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities			(37,406)		(29,922)
<b>NET ASSETS</b>			<u>3,492,963</u>		<u>3,683,238</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	15		356,274		356,274
Reserves	16		3,136,689		3,326,964
<b>TOTAL EQUITY</b>			<u>3,492,963</u>		<u>3,683,238</u>

The notes on pages 13 to 29 form part of these condensed interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2008 – unaudited*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2008</b>	2007
		<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities		<b>16,631</b>	33,484
Net cash used in investing activities		<b>(171,241)</b>	(502,824)
Net cash used in financing activities		<b>(92,631)</b>	(85,506)
Net decrease in cash and cash equivalents		<b>(247,241)</b>	(554,846)
Cash and cash equivalents at 1 January		<b>871,819</b>	1,178,719
Cash and cash equivalents at 30 June	13	<b>624,578</b>	623,873

The notes on pages 13 to 29 form part of these condensed interim financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2008 – unaudited*

	<b>Six months ended 30 June</b>	
	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Shareholders' equity at 1 January</b>	<b>3,683,238</b>	3,385,823
<b>Net income for the period recognised directly in equity:</b>		
Changes in fair value of available-for-sale equity securities	<b>(35,469)</b>	(1,348)
<b>Net (loss)/profit for the period</b>	<b>(62,163)</b>	214,502
<b>Net transfer to consolidated profit and loss account from reserves</b>	<b>(12)</b>	(12)
<b>Dividends approved and paid during the period</b>	<b>(92,631)</b>	(85,506)
<b>Shareholders' equity at 30 June</b>	<b>3,492,963</b>	3,513,459

The notes on pages 13 to 29 form part of these condensed interim financial statements.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

### 1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. KPMG's review report to the board of directors is included on page 30.

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 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 the Group since the 2007 annual accounts. The condensed 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").

The financial information relating to the financial year ended 31 December 2007 included in the condensed interim financial statements does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 14 March 2008.

The same accounting policies adopted in the 2007 annual accounts have been applied to the condensed interim financial statements.

The new and revised HKFRSs that will be effective or are available for voluntary early adoption in the annual accounts for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of the interim financial report. Therefore the policies that will be applied in the Group's accounts for that period cannot be determined with certainty at the date of issuance of the interim financial report. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period (see Note 20).

## 2. SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segmental revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment and are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group transactions are between group enterprises within a single segment.

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

The Group is currently organised into four main operating segments, namely "Property development and investment", "Ferry, shipyard and related operations", "Travel and hotel operations" and "Securities investment".



## 2. SEGMENTAL REPORTING *(Continued)*

The segmental information for the six months ended 30 June 2008 and 2007 about these business segments is presented below:

(a) Segmental 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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property development and investment	<b>112,824</b>	124,628	–	–	<b>112,824</b>	124,628
Ferry, shipyard and related operations	<b>115,655</b>	84,469	<b>947</b>	1,082	<b>114,708</b>	83,387
Travel and hotel operations	<b>82,272</b>	86,621	<b>74</b>	163	<b>82,198</b>	86,458
Securities investment	<b>9,099</b>	25,623	–	–	<b>9,099</b>	25,623
Others	<b>25,471</b>	36,366	<b>19,442</b>	19,073	<b>6,029</b>	17,293
	<b>345,321</b>	357,707	<b>20,463</b>	20,318	<b>324,858</b>	337,389
Analysed by :						
Turnover					<b>301,820</b>	317,388
Other revenue					<b>23,038</b>	20,001
					<b>324,858</b>	337,389

## 2. SEGMENTAL REPORTING *(Continued)*

### (b) Segmental Result

	<b>(Loss)/profit from operations</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Property development and investment <i>(Note c)</i>	<b>128,442</b>	84,943
Ferry, shipyard and related operations	<b>(1,560)</b>	(640)
Travel and hotel operations	<b>(2,193)</b>	(189)
Securities investment	<b>(191,335)</b>	133,932
Others <i>(Note d)</i>	<b>4,368</b>	15,904
	<b>(62,278)</b>	233,950

(c) The segmental result of the property development and investment operations included revaluation gains on investment properties and fair value gain on transfer of properties held for sale to investment properties of HK\$46,701,000 (2007: HK\$20,930,000) and HK\$23,045,000 (2007: HK\$Nil) respectively.

(d) The segmental result of "Others" mainly comprises interest income and corporate expenses.

## 3. OTHER NET (LOSS)/INCOME

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Income from sale of spare parts	<b>5</b>	684
Net exchange gains	<b>24,097</b>	264
Net loss on disposal of fixed assets	<b>(23)</b>	-
Net realised and unrealised (losses)/gains on derivative financial instruments	<b>(223,074)</b>	110,047
Sundry income	<b>763</b>	634
	<b>(198,232)</b>	111,629

#### 4. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Amortisation of leasehold land premium	690	880
Cost of inventories	103,730	84,804
Depreciation	4,558	4,901
Dividend income	(1,284)	(23,112)
Interest income	(17,982)	(25,665)

#### 5. TAXATION

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Provision for Hong Kong profits tax for the period	224	8,563
Deferred taxation	(160)	11,271
	64	19,834

The provision for Hong Kong profits tax is based on an estimate of the assessable profits for the six months ended 30 June 2008 less relief for available tax losses where applicable at 16.5% (2007: 17.5%).

#### 6. DIVIDENDS

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

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of 10 cents (2007: 10 cents) per ordinary share	35,627	35,627

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

## 6. DIVIDENDS *(Continued)*

- (b) Dividend attributable to the previous financial year, approved and paid during the interim period

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 26 cents (2007: 24 cents) per ordinary share	<b>92,631</b>	85,506

## 7. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$62,163,000 (2007: profit HK\$214,502,000) and 356,273,883 (2007: 356,273,883) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in existence during the period or the corresponding period last year.

## 8. INVESTMENT PROPERTIES

### Valuation

Investment properties held by the Group were revalued by a firm of registered professional surveyors, DTZ Debenham Tie Leung Limited, at HK\$871,500,000 as at 30 June 2008 (at 31 December 2007: HK\$780,200,000) on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

## 9. INTEREST IN ASSOCIATES

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
Share of net assets	<b>3,909</b>	3,730
Amounts due from associates	<b>143,096</b>	154,608
	<b>147,005</b>	158,338
Less : Impairment loss	<b>(6,470)</b>	(6,470)
	<b>140,535</b>	151,868

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

Other particulars of associates are as follows:

	<b>Particulars of issued &amp; paid up capital</b>	<b>% of ownership interest held by subsidiaries</b>	<b>Principal activities</b>
2OK Company Limited	10 ordinary shares of HK\$1 each	50	Property financing
Authian Estates Limited	5,000 A shares of HK\$1 each 5,000 B shares of HK\$1 each	50	Property investment

## 10. INVENTORIES

Inventories in the balance sheet comprise:

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
<b>Property development</b>		
Properties under development – held for sale	<b>1,088,477</b>	962,134
Completed properties held for sale	–	51,605
	<b>1,088,477</b>	1,013,739
<b>Other operations</b>		
Trading stocks	<b>5,476</b>	3,205
Spare parts and consumables	<b>3,620</b>	2,391
Work in progress	<b>4,528</b>	2,705
	<b>13,624</b>	8,301
	<b>1,102,101</b>	1,022,040

The amount of spare parts and consumables, carried at net realisable value is HK\$2,555,000 (at 31 December 2007: HK\$1,522,000).

## 11. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
Trade receivables	<b>105,784</b>	123,666
Less: allowance for doubtful debts	<b>(1,347)</b>	(1,347)
	<b>104,437</b>	122,319
Other receivables and prepayments	<b>33,445</b>	42,279
	<b>137,882</b>	164,598

## 11. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivables are trade receivables (excluding retention money recoverable of HK\$798,000 (at 31 December 2007: HK\$798,000) and net of allowance for doubtful debts) with the following ageing analysis as of balance sheet date:

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
Current	<b>100,408</b>	117,122
1 to 3 months overdue	<b>2,172</b>	3,213
More than 3 months overdue but less than 12 months overdue	<b>254</b>	230
More than 12 months overdue	<b>805</b>	956
	<b>103,639</b>	121,521

All of the trade and other receivables except instalment receivables HK\$2,832,000 (at 31 December 2007: HK\$3,443,000) are expected to be recovered within one year.

Debts 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.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2008, the Group's derivative financial instruments comprised equity-linked notes (the "Notes") with different maturity dates in years 2009 and 2010. The Notes will be settled either by cash or by delivery of the underlying shares depending on the market prices of the underlying shares at maturity date.

<b>Notional Amount</b>	<b>Maturity</b>
AUD93,000,000	2009-2010

Certain Notes are subject to early redemption by the respective issuers when the market prices of the underlying shares rise/fall to pre-determined price levels at the respective determination dates stipulated in the final terms and conditions of each Note. The remaining Notes with a total notional amount of AUD40 million are subject to redemption at maturity.

Fair value of the Notes is based on the pricing model using the market closing prices of the underlying stocks and/or index, the volatilities, correlations and interest rate at the balance sheet date.

Investments in derivative financial instruments are subject to changes in market prices. The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factor affecting the value of these Notes.



### 13. CASH AND CASH EQUIVALENTS

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
Deposits with banks and other financial institutions	<b>605,111</b>	862,460
Cash at bank and in hand	<b>19,643</b>	9,646
	<b>624,754</b>	872,106
Cash and cash equivalents in the balance sheet	<b>(176)</b>	(287)
	<b>624,578</b>	871,819

### 14. TRADE AND OTHER PAYABLES

At 31 December 2007, all of the trade and other payables, apart from the retention payables HK\$3,792,000 are expected to be settled within one year.

Included in trade and other payables are trade payables with the following ageing analysis as of balance sheet date:

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
Due within 1 month or on demand	<b>101,361</b>	75,897
Due after 1 month but within 3 months	<b>200</b>	248
Due after 3 months but within 6 months	<b>24,400</b>	16,717
Due after 6 months but within 12 months	<b>5,594</b>	–
Due after 12 months	–	3,792
	<b>131,555</b>	96,654

## 15. SHARE CAPITAL

	No. of shares '000	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1 each at 1 January 2008 and 30 June 2008	550,000	550,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$1 each at 1 January 2008 and 30 June 2008	356,274	356,274

There was no movement in share capital during the period.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 16. RESERVES

	Share premium HK\$'000	Securities revaluation reserve HK\$'000	Other capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2008	1,398,527	100,198	941	1,827,298	3,326,964
Dividend approved in respect of the previous financial year	-	-	-	(92,631)	(92,631)
Changes in fair value of available-for-sale equity securities	-	(35,469)	-	-	(35,469)
Realisation of inter-company profits	-	-	(12)	-	(12)
Loss for the period	-	-	-	(62,163)	(62,163)
At 30 June 2008	1,398,527	64,729	929	1,672,504	3,136,689

## 17. CAPITAL AND OTHER COMMITMENTS

Capital and other commitments outstanding at 30 June 2008 not provided for in the Group's accounts are as follows:

	<b>At 30 June 2008 HK\$'000</b>	At 31 December 2007 HK\$'000
Contracted for	<b>476,613</b>	564,096

## 18. CONTINGENT LIABILITIES

### (a) Litigation

A statement of claim was filed in the Court of First Instance of the High Court of Hong Kong by the Secretary for Justice, representing the Hong Kong Government, against The Hongkong and Yaumati Ferry Company Limited ("HYF"), a wholly-owned subsidiary of the Company, and the Company in November 1999. The claim in the proceedings was for the sum of approximately HK\$77 million and other unliquidated amounts in respect of a dispute over the reimbursement of certain costs incurred by the Hong Kong Government on the implementation of certain piling design to cater for the proposed redevelopment of the re-provided ferry piers in Central into new commercial and residential premises. The proposed redevelopment was not pursued due to disagreement over the high premium requested by the Government Lands Department. Based on legal advice, the Group contested this claim.

HYF and the Company made a counterclaim against the Government for the sum of approximately HK\$284 million, being costs relating to the redevelopment of the Central piers.

A liability hearing was held during the period October to December 2006 and in December 2006, the Court of First Instance gave judgment ("CFI Judgment") in favour of the Government. In January 2007, the Company and HYF filed a Notice of Appeal to the Court of Appeal against parts of the CFI Judgment. The appeal was heard in early March 2008 and judgment was handed down by the Court of Appeal on 12th March 2008. The Company and HYF were partly successful in the appeal. A further trial has now been scheduled to take place for 15 days in November 2008 ("Stage 2 Trial") to deal with remaining liability and quantum issues which could result in a liability for further costs and accrued interest. Until the Stage 2 Trial has been completed, final liability and quantum cannot be determined. In this context, the solicitors acting for the Company and HYF are of the opinion that the provision of HK\$160 million at 31 December 2007 was adequate for the settlement of the case.

## 18. CONTINGENT LIABILITIES *(Continued)*

### (b) Financial guarantees issued

As at 30 June 2008, the Company has issued 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.

As at the balance sheet date, 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 balance sheet date under the guarantees issued above is the outstanding amount due to the relevant suppliers by its wholly-owned subsidiaries, being HK\$2,260,000 (at 31 December 2007: HK\$2,321,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured and its transaction price was HK\$Nil.

## 19. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) In 1998, the Group appointed a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD") as the development and sales manager (the "Project Manager") for the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost and 0.5% of the gross proceeds of sale of the residential portion of the redevelopment. In 2007, an amount of HK\$246,000 had been charged to the Group. At 30 June 2008, an amount of HK\$18,000,000 (at 31 December 2007: HK\$18,000,000) payable to the Project Manager was included in trade and other payables.

In 1999, the Group entered into a development agreement (the "Agreement") with HLD and two wholly-owned subsidiaries of HLD ("HLD Sub"), whereby HLD Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment for a consideration of HK\$1,500,000,000.

As part of the Agreement, HLD Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. In 2007, an amount of HK\$8,936,000 was credited to HLD Sub in this regard based on the latest project cost estimation. No change of project cost estimation in the current period. At 30 June 2008, an amount of HK\$9,307,000 (at 31 December 2007: HK\$8,672,000) remained unpaid and was included in trade and other receivables.

**19. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS** *(Continued)*

- (b) The Group engaged another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the redevelopment of the MHV Property. As a result of the change in the latest cost estimates in 2007, an amount of HK\$20,157,000 and HK\$1,008,000, representing a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the redevelopment of the MHV Property respectively. No change of project cost estimation in the current period. At 30 June 2008, an amount of HK\$1,765,000 (at 31 December 2007: HK\$1,765,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.
- (c) 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 MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK as at 30 June 2008. During the six months ended 30 June 2008, the Group received management and administrative fees in the total of HK\$300,000 (2007: HK\$248,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amount advanced. During the six months ended 30 June 2008, the Group received interest amounting to HK\$2,211,000 (2007: HK\$2,283,000) from 2OK. At 30 June 2008, the amount advanced by the Group totalling HK\$133,175,000 (at 31 December 2007: HK\$144,686,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.
- (d) In December 2002, the Group appointed the Project Manager 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 (the "Continuing Connected Transaction"). An amount of HK\$537,000 (2007: HK\$486,000) was charged to the Group for the six months ended 30 June 2008. At 30 June 2008, an amount of HK\$555,000 (at 31 December 2007: HK\$1,007,000) remained unpaid and was included in trade and other payables.
- (e) In September 2004, the Group appointed a wholly-owned subsidiary of HLD as the project and sales manager for the development of Nos. 43, 45, 47, 49, 51 and 51A Tong Mi Road, Kowloon, Hong Kong (the "TMR Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost, 0.5% of the gross proceeds of sale of the residential portion of the TMR Property (but excluding those sales effected by a third party sales agent) and other lump sum fees for supplementary services, subject to a total ceiling of HK\$2,752,000. A total fee of HK\$179,000 (2007: HK\$250,000) was charged to the Group for the six months ended 30 June 2008. At 30 June 2008, an amount of HK\$614,000 (at 31 December 2007: HK\$993,000) remained unpaid and was included in trade and other payables.

**19. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS** *(Continued)*

- (f) In September 2004, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of the TMR 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 shall be subject to a total ceiling of HK\$14,100,000. During the six months ended 30 June 2008, as a result of change in the latest cost estimates, an amount of HK\$370,000 and HK\$19,000, represented a corresponding adjustment in fees, were credited to the company in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the TMR Property respectively. During the six months ended 30 June 2007, the main contractor did not charge the Group as the construction work was completed in 2006. At 30 June 2008, an amount of HK\$7,536,000 (at 31 December 2007: HK\$13,202,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.
- (g) In May 2006, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong (the "TKT Property") for a term of three years commencing from 1 April 2006 in consideration for a fee equivalent to the aggregate of 1% of the construction cost, and other lump sum fees for supplementary services, subject to a total annual ceiling of HK\$3,033,000. In accordance with the contract entered into with the Group, an amount of HK\$1,500,000 (2007: HK\$2,000,000), of which HK\$900,000 (2007: HK\$950,000) being cost of work carried out by the project manager or the connected persons (as defined in the Listing Rules) of the Company and HK\$600,000 (2007: HK\$1,050,000) being the 1% fee, was charged by the project manager for the six months ended 30 June 2008 for the development of the TKT Property. At 30 June 2008, an amount of HK\$6,710,000 (at 31 December 2007: HK\$5,210,000) remained unpaid and was included in trade and other payables.
- (h) In May 2006, the Group also appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of the TKT 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 shall be subject to a total annual ceiling of HK\$16,000,000. In accordance with the contract entered into with the Group, an amount of HK\$76,828,000 (2007: HK\$61,126,000), of which HK\$6,256,000 (2007: HK\$5,647,000) being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the six months ended 30 June 2008 for the superstructure work of the development of the TKT Property. At 30 June 2008, an amount of HK\$44,668,000 (at 31 December 2007: HK\$26,862,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

**19. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS** *(Continued)*

- (i) In September 2006, the Group as landlord entered into a Lease Agreement with a wholly-owned subsidiary of HLD as tenant. Pursuant to the Lease Agreement, the tenant agreed to take the lease of certain shops and spaces of MHP for a term of three years commencing from 1 July 2006 at a monthly rental of HK\$357,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business conducted over HK\$142,241,000 which shall be payable monthly in arrears.

Pursuant to the Lease Agreement, the Group also entered into (i) a Wall Signage Licence Agreement for six external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for four signages at the entrances of MHP. Total annual licence fee payable under the Wall Signage Agreement and the Entrance Signage Licence Agreement is HK\$72,000 and HK\$24,000 respectively. Payments under the Licence Agreements are to be made in the form of cash. Each of the Licence Agreements is for a fixed term of three years commencing from 1 July 2006 and ending on 30 June 2009.

- (j) In September 2006, the Group as landlord and a wholly-owned subsidiary of HLD as tenant entered into a Sales Office Lease Agreement. Pursuant to the Sales Office Lease Agreement, the tenant agreed to take certain shops and spaces of MHP for a term of two years commencing from 22 November 2006 at a monthly rental of HK\$201,000 and other ancillary expenses.

The annual value of the aforementioned lease and licence was subjected to certain annual cap.

During the six month ended 30 June 2008, an amount of HK\$6,684,000 (2007: HK\$6,535,000), being aggregate rental and fees receivable under the aforementioned lease and licence, was credited to the Group.

- (k) Pursuant to the ordinary resolution passed at the extraordinary general meeting held on 20 December 2006, a conditional project management agreement ("PMA") and a conditional prime cost contract ("PCC") in relation to the development of No. 6 Cho Yuen Street, Yau Tong, Kowloon, Hong Kong (the "Yau Tong Property"), both executed in November 2006, were approved by the independent shareholders of the Company.

Pursuant to the PMA, the Group appointed a wholly-owned subsidiary of HLD as the project and sales manager for the Yau Tong Property for a term of three years commencing from 1 January 2007 in consideration for a fee equivalent to the aggregate of 1% of the construction cost, 0.5% of the gross proceeds of sale of the residential portion of the Yau Tong Property (but excluding those sale effected by a third party sales agent) and other ancillary fees for supplementary services, subject to the total annual ceiling of the respective years.



## 19. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

In accordance with the contract entered into with the Group, an amount of HK\$1,333,000 (2007: HK\$Nil), of which HK\$750,000 (2007: HK\$Nil) being cost of work carried out by the project and sales manager or the connected persons (as defined in the Listing Rules) of the Company and HK\$583,000 (2007: HK\$Nil) being the 1% fee, was charged by the project and sales manager for the six months ended 30 June 2008 for the development of the Yau Tong Property. At 30 June 2008, an amount of HK\$4,000,000 (at 31 December 2007: HK\$2,667,000) remained unpaid and was included in trade and other payables.

Pursuant to PCC, the Group also appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of the Yau Tong 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 shall be subject to a total annual ceiling of the respective years.

In accordance with the contract entered into with the Group, an amount of HK\$41,311,000 (2007: HK\$Nil), of which HK\$7,656,000 (2007: HK\$Nil) being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the six months ended 30 June 2008 for the superstructure work of the development of the Yau Tong Property. At 30 June 2008, an amount of HK\$24,257,000 (at 31 December 2007: HK\$11,209,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

- (i) Dr. Lee Shau Kee, a director of the Company, is interested in the above transactions as a substantial shareholder of HLD.

To the extent the above transactions constituted connected transactions as defined in the Listing Rules, the Group had complied with relevant requirements under Chapter 14A of the Listing Rules.

## 20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2008

Up to the date of issue of the interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008, and which have not been adopted in the interim report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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

### INTRODUCTION

We have reviewed the interim financial report set out on pages 9 to 29 which comprises the consolidated balance sheet of Hong Kong Ferry (Holdings) Company Limited as of 30 June 2008 and the related consolidated statements of income, and changes in equity and condensed consolidated statement of cash flows for the six months 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 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

#### **KPMG**

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12 September 2008



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