



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 中期報告
2009

INTERIM RESULTS AND DIVIDEND

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2009 amounted to HK\$595.4 million and the earnings per share were HK167.1 cents. A loss of HK\$62.2 million was recorded in the corresponding period in 2008 and the loss per share last year was HK17.4 cents.

The Board has resolved to pay an interim dividend of HK10 cents (2008: HK10 cents) per share in respect of the financial year ending 31 December 2009. The interim dividend will be paid on or about Wednesday, 30 September 2009 to shareholders whose names appear on the register of members at the close of business on Friday, 18 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, profits for the Group were mainly derived from the sale of residential units of Shining Heights (83 Sycamore Street) and gains from the investments in listed securities and equity-linked-notes. The sale of residential units and listed securities recorded a profit of approximately HK\$390 million and HK\$34.4 million respectively, while the equity-linked-note investments recorded a realized gain of HK\$50 million and an unrealized gain of HK\$133 million totalling HK\$183 million.

Property Development and Investment Operations

83 Sycamore Street (Shining Heights)

This residential-cum-commercial project has a total gross floor area of about 336,000 sq. ft. As at 30 June 2009, 196 residential units had been sold and a profit of approximately HK\$390 million was recorded. The remaining 152 residential units are now being sold in batches. The recent average selling price is satisfactory at about HK\$5,800 per square foot. About 53% of the space in the commercial arcade have been leased.

8 Fuk Lee Street (Metro Harbour View) and 51 Tong Mi Road (MetroRegalia)

The remaining residential units of the two projects have all been sold out. At the end of June 2009, the occupancy rate of the mall of Metro Harbour Plaza was 92%. Rental and related income from the mall amounted to HK\$15.6 million during the period. The commercial arcade of MetroRegalia has been fully let with the rental and related income amounting to about HK\$800,000 during the period.

8 Cho Yuen Street, Yau Tong (The Spectacle)

This project embarks on a park and has beautiful seaview. Occupation permit has already been issued to the 185 residential units. A total of 43 flats were sold under the first phase of sale last weekend, at an average sale price of approximately HK\$5,600 per square foot.

Ferry, Shipyard and Related Operations

With the increased volume of ship repair work, the turnover of shipyard operations recorded an increase of 33%. Owing to the adverse impact of human swine flu, the turnover of harbour cruise operations decreased by 13%. The Ferry, Shipyard and Related Operations achieved a profit of HK\$1.5 million, compared with HK\$1.6 million loss in the same period last year.

Travel and Hotel Operations

Mainly because of reduced numbers of overseas visitors and of long-haul tours, the turnover of the Travel and Hotel Operations recorded a decrease of 10%. The operating results of the Travel and Hotel Operations improved slightly. The period recorded a loss of HK\$1.9 million, compared with HK\$2.2 million loss in the same period last year.

PROSPECTS

To combat the effects of the financial tsunami, governments around the world launched significant stimulus packages to reduce interest rate, encourage lending, strengthen banks and create employment. In recent months, the effects of these measures have become apparent in that global banking and financial sectors have stabilised, the rise in unemployment rate has ameliorated and worldwide stock markets generally have rebounded.

The mainland Government has adopted decisive measures, including a stimulus package of RMB4 trillion, to reduce the adverse impact of the financial tsunami on China. The effects of the measures have extended to Hong Kong and supported our economy. Both the further liberalization measures under CEPA (the Mainland and Hong Kong Closer Economic Partnership Arrangement) and the arrangements for Hong Kong to be one of the Central Clearing Centres for RMB will benefit the economic development of Hong Kong. We estimate that recently 10% of the buyers of the Group's properties are mainland investors, illustrating the close economic ties between China and Hong Kong.

The Group anticipates that in the second half of the year, continuing low interest rates will lead to a gradual, albeit erratic, improvement in the confidence of consumers and investors. Although the foundations for the economic recovery are still fragile, we look forward to the gradual recovery in the economy and the continuation of buoyance in the property market. The sale proceeds of the remaining residential units of the Group will be our main source of income this year.

FINANCIAL REVIEW

Review of Results

During the six-month period ended 30 June 2009, the Group's turnover amounted to HK\$1,072 million, representing an increase of 255% as compared with that recorded in the same period last year. This was mainly attributed to the increase in the sales of the residential units of the Group's development properties. In particular, 196 residential units of Shining Heights were sold in current period under review, as compared to a total of 18 residential units of Metro Harbour View and MetroRegalia sold in the same period last year.

The consolidated net profit after taxation of the Group for the six-month period ended 30 June 2009 was HK\$595.4 million, representing an increase of 1058% against a loss of HK\$62.2 million for the same period last year. The reason for the increase is already mentioned in the Management Discussion and Analysis section of this report.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2009, shareholders' funds amounted to HK\$3,497 million, an increase of 18.8% as compared with the corresponding figure as at 31 December 2008. The increase was mainly due to the realized and unrealized gain of the equity-linked-notes and the available-for-sale equity securities investments and the increased income from the sale of the residential units of the Group's development properties.

There was no change to the capital structure of the Group during the period. As at 30 June 2009, the Group had a bank borrowing of HK\$100 million.

There was no material acquisition or disposal of any subsidiary or associate during the period. A net repayment of approximately HK\$7.7 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2009, current assets of the Group stood at HK\$2,573 million and current liabilities was HK\$541 million. Current ratio of the Group increased from 4 as at 31 December 2008 to 4.8 as at 30 June 2009, mainly due to the change in fair value of the equity-linked-note investments and the increase in trade receivables from the sales of the residential units of Shining Heights during the period.

Gearing Ratio and Financial Management

As at 30 June 2009, the gearing ratio stood at 2.9% which was calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund.

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 and United States dollar. Certain equity-linked-note investments and deposits are denominated in United States dollar and Australian dollar, and the incidental foreign exchange exposures are kept under periodic review. The management will consider appropriate hedging measures, if necessary.

Employees

As at 30 June 2009, the Group employed about 380 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 education subsidies.

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 16 September 2009 to Friday, 18 September 2009, 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 Tuesday, 15 September 2009.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA*, an independent non-executive director of the Company, resigned as a non-executive director of Taifook Securities Group Limited, a company listed in Hong Kong, with effect from 1 July 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

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

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance. In the opinion of the Board of Directors (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 on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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 of the Company have complied with the required standard as set out in the Model Code during the six months ended 30 June 2009.

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 August 2009 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 six months ended 30 June 2009 with the management.

In addition, the Group's external auditor, KPMG, have also performed a review of the interim financial statements for the six months ended 30 June 2009. Based on their review, nothing has come to their attention that causes them to believe that the interim financial statements as at 30 June 2009 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "*Interim financial reporting*".

REMUNERATION COMMITTEE

The Remuneration Committee held its meeting in June 2009. 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, 25 August 2009

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2009, the interests of the directors in securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under section 352 of the SFO were as follows:

Interests

	THE COMPANY				Approximate percentage of total issued shares
	Personal Interests	Corporate Interests	Family Interests	Total Interests	
	<i>Number of Shares</i>	<i>Number of Shares</i>	<i>Number of Shares</i>	<i>Number of Shares</i>	
Mr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Dr. Lee Shau Kee	7,799,220	111,732,090	–	119,531,310	33.55%
		<i>(Note 6 on page 8)</i>			
Mr. Leung Hay Man	2,250	–	–	2,250	0.00%
Mr. Li Ning	–	–	111,732,090	111,732,090	31.36%
			<i>(Note 5 on page 8)</i>		
Mr. Wong Man Kong, Peter	1,051,000	–	–	1,051,000	0.29%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

2OK COMPANY LIMITED

	Corporate Interests	Family Interests
	<i>Number of Shares</i>	<i>Number of Shares</i>
Dr. Lee Shau Kee (Note 1)	5	–
Mr. Li Ning (Note 2)	–	5

WINWIDE LIMITED

	Corporate Interests	Family Interests
	<i>Number of Shares</i>	<i>Number of Shares</i>
Dr. Lee Shau Kee (Note 3)	70	–
Mr. Li Ning (Note 4)	–	70

Notes:

1. 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 wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD. 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 carried the voting rights in the share capital of HD. 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 these 5 shares in 2OK Company Limited.
2. 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.
3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest. HD beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. 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 these 70 shares in Winwide Limited.
4. 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.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2009.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 30 June 2009, 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:

	No. of shares in which interested	Approximate percentage of total issued shares
Substantial Shareholders		
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%

	No. of shares in which interested	Approximate percentage of total issued shares
Substantial Shareholders <i>(Continued)</i>		
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%

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%

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.
- 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.
- 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.
- 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.
- 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% of the total issued share capital of the Company) as at 30 June 2009.

Save as disclosed, as at 30 June 2009, 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 2009 – unaudited

		Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
	Note		
Turnover	3(a)	1,072,294	301,820
Cost of sales		(594,653)	(212,488)
		477,641	89,332
Other revenue	3(a)	12,855	23,038
Other net income/(loss)	4	261,726	(198,232)
Valuation (losses)/gains on investment properties	3(d)	(47,324)	46,701
Fair value gain on transfer of properties held for sale to investment properties	3(d)	–	23,045
Selling and marketing expenses		(47,650)	(7,745)
Administrative expenses		(20,218)	(19,661)
Other operating expenses		(18,782)	(18,756)
Profit/(loss) from operations	3(b)	618,248	(62,278)
Finance costs	5(a)	(1,505)	–
Share of profits of associates		293	179
Profit/(loss) before taxation	5	617,036	(62,099)
Taxation	6	(21,651)	(64)
Profit/(loss) attributable to equity shareholders of the Company		595,385	(62,163)
Basic earnings/(loss) per share (cents)	9	167.1	(17.4)

The notes on pages 14 to 35 form part of these condensed interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009 – unaudited

		Six months ended 30 June	
		2009	2008
Note		HK\$'000	HK\$'000
	Profit/(loss) attributable to equity shareholders of the Company	595,385	(62,163)
	Other comprehensive income/(expenses) for the period (after tax and reclassification adjustments):		
	Available-for-sale equity securities: net movement in the securities revaluation reserve	8(a) 50,081	(35,469)
	Realisation of inter-company profits	(12)	(12)
	Other comprehensive income/(expenses)	50,069	(35,481)
	Total comprehensive income/(expenses) attributable to equity shareholders of the Company	645,454	(97,644)

The notes on pages 14 to 35 form part of these condensed interim financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	At 30 June 2009 (unaudited)		At 31 December 2008 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets					
– Investment properties	10		827,100		872,000
– Other property, plant and equipment			108,868		109,139
– Interest in leasehold land			52,431		53,121
			<u>988,399</u>		<u>1,034,260</u>
Interest in associates	11		101,415		108,395
Available-for-sale equity securities	12		338,136		127,827
Employee benefits assets			10,662		10,482
Deferred tax assets			48,731		73,375
			<u>1,487,343</u>		<u>1,354,339</u>
Current assets					
Tax recoverable			2,414		2,414
Derivative financial instruments	15		281,791		191,624
Inventories	13		1,047,724		1,393,741
Trade and other receivables	14		755,373		100,161
Cash and cash equivalents	16		485,694		478,713
			<u>2,572,996</u>		<u>2,166,653</u>
Current liabilities					
Bank loan and overdrafts			100,000		100,216
Trade and other payables	17		405,628		415,895
Tax payable			35,002		31,314
			<u>540,630</u>		<u>547,425</u>
Net current assets			<u>2,032,366</u>		<u>1,619,228</u>
Total assets less current liabilities			<u>3,519,709</u>		<u>2,973,567</u>
Non-current liabilities					
Deferred tax liabilities			(22,368)		(29,049)
NET ASSETS			<u>3,497,341</u>		<u>2,944,518</u>
CAPITAL AND RESERVES					
Share capital			356,274		356,274
Reserves	18		3,141,067		2,588,244
TOTAL EQUITY			<u>3,497,341</u>		<u>2,944,518</u>

The notes on pages 14 to 35 form part of these condensed interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 – unaudited

	Note	Total equity HK\$'000
Balance at 1 January 2008		3,683,238
Changes in equity for the six months ended 30 June 2008:		
Total comprehensive expenses for the period	18	(97,644)
Dividend approved and paid during the period	7(b)	<u>(92,631)</u>
Balance at 30 June 2008 and 1 July 2008		<u><u>3,492,963</u></u>
Changes in equity for the six months ended 31 December 2008:		
Total comprehensive expenses for the period	18	(512,818)
Dividend declared and paid in respect of the current year	7(a)	<u>(35,627)</u>
Balance at 31 December 2008 and 1 January 2009		<u><u>2,944,518</u></u>
Changes in equity for the six months ended 30 June 2009:		
Total comprehensive income for the period	18	645,454
Dividend approved and paid in respect of the current year	7(b)	<u>(92,631)</u>
Balance at 30 June 2009		<u><u>3,497,341</u></u>

The notes on pages 14 to 35 form part of these condensed interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009 – unaudited

	Note	Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Cash generated from operations		207,847	16,723
Tax paid		–	(92)
Net cash generated from operating activities		207,847	16,631
Net cash used in investing activities		(105,925)	(171,241)
Net cash used in financing activities		(94,725)	(92,631)
Net increase/(decrease) in cash and cash equivalents		7,197	(247,241)
Cash and cash equivalents at 1 January	16	478,497	871,819
Cash and cash equivalents at 30 June	16	485,694	624,578

The notes on pages 14 to 35 form part of these condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 August 2009.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial statements 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.

These interim financial statements contain 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 the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The 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 independent review report to the Board of Directors is included on page 36.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 13 March 2009.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*

The amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial statements. The impact of the remainder of these developments on the interim financial statements is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The segments identified in accordance with HKFRS 8 do not differ materially from those previously disclosed under HKAS 14 and thus the adoption of HKFRS 8 has had no impact on the reported results or financial position of the Group.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated profit and loss account, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in these interim financial statements and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. SEGMENT REPORTING

The Group has adopted HKFRS 8, *Operating segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be 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. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has not changed.

On first-time adoption of HKFRS 8 and 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 is currently organised into four main reportable segments, namely "Property development and investment", "Ferry, shipyard and related operations", "Travel and hotel operations" and "Securities investment".

Segment results

In accordance with HKFRS 8, segment information disclosed in the interim financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

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.

3. SEGMENT REPORTING *(Continued)*

The segment information for the six months ended 30 June 2009 and 2008 about these reportable segments is presented below:

(a) Segment Revenue

	Total revenue		Elimination of		Revenue from	
	Six months ended 30 June		inter-segment revenue		external customers	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development and investment	921,541	112,824	15	–	921,526	112,824
Ferry, shipyard and related operations	82,874	115,655	909	947	81,965	114,708
Travel and hotel operations	73,874	82,272	67	74	73,807	82,198
Securities investment	5,233	9,099	–	–	5,233	9,099
Others	22,572	25,471	19,954	19,442	2,618	6,029
	1,106,094	345,321	20,945	20,463	1,085,149	324,858
Analysed by:						
Turnover					1,072,294	301,820
Other revenue					12,855	23,038
					1,085,149	324,858

3. SEGMENT REPORTING *(Continued)*

(b) Segment Result

	Reportable segment profit/(loss)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Property development and investment <i>(Note d)</i>	356,391	128,442
Ferry, shipyard and related operations	1,520	(1,560)
Travel and hotel operations	(1,905)	(2,193)
Securities investment	240,706	(191,335)
Others <i>(Note e)</i>	21,536	4,368
	618,248	(62,278)

(c) Reconciliation of reportable segment profit/(loss) before taxation

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Reportable segment profit/(loss) derived from external customers	618,248	(62,278)
Finance costs	(1,505)	–
Share of profits of associates	293	179
Consolidated profit/(loss) before taxation	617,036	(62,099)

(d) The segment result of the property development and investment operations included valuation losses on investment properties of HK\$47,324,000 (2008: gains of HK\$46,701,000) and fair value gain on transfer of properties held for sale to investment properties of HK\$Nil (2008: HK\$23,045,000).

(e) The segment result of "Others" mainly comprises interest income and corporate expenses.

4. OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Forfeited deposits	1,334	–
Income from sale of spare parts	221	5
Net exchange gains	21,939	24,097
Net profit on disposal of investment properties	1,330	–
Net loss on disposal of other property, plant and equipment	(10)	(23)
Net realised and unrealised gains/(losses) on derivative financial instruments	201,038	(223,074)
Net profit on sale of available-for-sale equity securities	34,369	–
Sundry income	1,505	763
	261,726	(198,232)

5. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
(a) Finance costs		
Interest on bank loan wholly repayable within five years	1,505	–
(b) Other items		
Amortisation of leasehold land premium	690	690
Cost of inventories	493,786	103,730
Depreciation	4,508	4,558
Dividend income	(4,544)	(1,284)
Interest income	(4,907)	(17,982)

6. TAXATION

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax	3,688	224
Deferred taxation	17,963	(160)
	21,651	64

The provision for Hong Kong profits tax is calculated by applying the estimated annual effective tax rate of 16.5% (2008: 16.5%) to the six months ended 30 June 2009 less relief for available tax losses where applicable.

7. DIVIDENDS

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK10 cents (2008: HK10 cents) per 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.

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK26 cents (2008: HK26 cents) per share	92,631	92,631

8. OTHER COMPREHENSIVE INCOME/(EXPENSES)

(a) Available-for-sale equity securities

	Six months ended 30 June	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Changes in fair value recognised during the period	84,817	(35,469)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	(34,736)	–
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income/(expenses)	50,081	(35,469)

9. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$595,385,000 (2008: loss of HK\$62,163,000) and 356,273,883 (2008: 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.

10. INVESTMENT PROPERTIES

Valuation

Investment properties held by the Group were revalued as at 30 June 2009 by DTZ Debenham Tie Leung Limited, an independent firm of registered professional surveyors who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis in their existing states on the basis of capitalisation of the net rental income allowing for reversionary income potential and where appropriate by reference to comparable market transactions as available in the market.

11. INTEREST IN ASSOCIATES

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Share of net assets	4,265	3,972
Amounts due from associates	103,620	110,893
	107,885	114,865
Less: Impairment loss	(6,470)	(6,470)
	101,415	108,395

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

Other particulars of associates are as follows:

	Particulars of issued & paid up capital	% of ownership interest held by subsidiaries	Principal activities
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
Winwide Limited	100 ordinary shares of HK\$1 each	30	Trading of fuel oil

12. AVAILABLE-FOR-SALE EQUITY SECURITIES

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Unlisted shares	45	45
Listed shares		
– in Hong Kong	302,871	102,829
– outside Hong Kong	35,220	24,953
	338,091	127,782
	338,136	127,827
Market value of listed shares	338,091	127,782

13. INVENTORIES

Inventories in the consolidated balance sheet comprise:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Property development		
Properties under development – held for sale	–	476,330
Completed properties held for sale	1,040,069	909,203
	1,040,069	1,385,533
Other operations		
Trading stocks	969	1,488
Spare parts and consumables	2,945	3,146
Work in progress	3,741	3,574
	7,655	8,208
	1,047,724	1,393,741

At 30 June 2009, the amount of spare parts and consumables carried at net realisable value is HK\$1,991,000 (31 December 2008: HK\$2,411,000).

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Trade receivables	591,810	52,964
Less: Allowance for doubtful debts	(1,142)	(1,359)
	590,668	51,605
Other receivables and prepayments	164,705	48,556
	755,373	100,161

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts (31 December 2008: excluding retention money recoverable of HK\$2,822,000 and net of allowance for doubtful debts)) with the following ageing analysis as of the balance sheet date:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Current or less than 1 month overdue	578,282	37,664
1 to 3 months overdue	8,344	9,081
More than 3 months overdue but less than 12 months overdue	3,174	1,265
More than 12 months overdue	868	773
	590,668	48,783

All of the trade and other receivables at 30 June 2009 except instalment receivables of HK\$50,316,000 (31 December 2008: HK\$4,973,000) 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.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments are primarily equity-linked notes (the "Notes") and Strangles with different notional amounts, fair values and maturities as follows:

	The Group			
	Notional amount	Maturing in	Fair value	
	(original currency)		(original currency)	(Hong Kong dollars equivalent)
	'000		'000	HK\$'000
At 30 June 2009:				
Notes				
Denominated in:				
Australian dollars	10,000	2009	5,367	33,866
	38,000	2010	30,413	191,915
	5,914	2011	5,914	37,321
				<u>263,102</u>
Strangles				
Denominated in:				
Hong Kong dollars	18,689	2009	18,689	18,689
Total				<u>281,791</u>
At 31 December 2008:				
Notes				
Denominated in:				
Australian dollars	46,000	2009	18,142	98,890
	47,000	2010	17,013	92,734
Total				<u>191,624</u>

The Notes will be settled either by cash or by delivery of the underlying share depending on the market prices of the underlying shares at maturity date. 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 AUD9 million (31 December 2008: AUD40 million) are subject to redemption at maturity.

Each of the Strangles represents the issue of a put equity option and a call equity option on the same underlying share listed in Hong Kong, with the same expiry date, but at two different pre-determined out-of-money strike prices. The Group, as the seller, received premiums from the issue of the Strangles during the period. It allows the Group to realise the premiums without further cash outflow when the market price of the underlying share is in the range between the two strike prices on the maturity date. However, if the market price on the maturity date is outside this range, cash outflow will result when the Group settles the exercised option.

15. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Due to the recent recovery of global financial market, net realised and unrealised gains of HK\$201 million was recognised in profit or loss during the six months ended 30 June 2009.

At 30 June 2009, certain of the Notes were pledged to a financial institution as securities against facilities granted to the Group.

Further details of the Group's management of credit risk, liquidity risk, currency risk and equity price risk arising from derivative financial instruments are set out in note 22.

16. CASH AND CASH EQUIVALENTS

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Deposits with banks and other financial institutions	470,517	453,099
Cash at bank and in hand	15,177	25,614
Cash and cash equivalents in the consolidated balance sheet	485,694	478,713
Bank overdrafts	–	(216)
Cash and cash equivalents in the condensed consolidated cash flow statement	485,694	478,497

17. TRADE AND OTHER PAYABLES

All of the trade and other payables at 30 June 2009 (31 December 2008: apart from the retention payables of HK\$10,055,000) are expected to be settled within one year.

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

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Due within 1 month or on demand	333,639	315,980
Due after 1 month but within 3 months	134	303
Due after 12 months	–	10,218
	333,773	326,501

18. 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
Loss for the period	-	-	-	(62,163)	(62,163)
Available-for-sale equity securities: net movement in the securities revaluation reserve	-	(35,469)	-	-	(35,469)
Realisation of inter-company profits	-	-	(12)	-	(12)
Total comprehensive expenses for the period	-	(35,469)	(12)	(62,163)	(97,644)
Dividend approved in respect of the previous financial year	-	-	-	(92,631)	(92,631)
At 30 June 2008	1,398,527	64,729	929	1,672,504	3,136,689
At 1 July 2008	1,398,527	64,729	929	1,672,504	3,136,689
Loss for the period	-	-	-	(463,882)	(463,882)
Available-for-sale equity securities: net movement in the securities revaluation reserve	-	(48,924)	-	-	(48,924)
Realisation of inter-company profits	-	-	(12)	-	(12)
Total comprehensive expenses for the period	-	(48,924)	(12)	(463,882)	(512,818)
Dividend declared in respect of the current year	-	-	-	(35,627)	(35,627)
At 31 December 2008	1,398,527	15,805	917	1,172,995	2,588,244
At 1 January 2009	1,398,527	15,805	917	1,172,995	2,588,244
Profit for the period	-	-	-	595,385	595,385
Available-for-sale equity securities: net movement in the securities revaluation reserve	-	50,081	-	-	50,081
Realisation of inter-company profits	-	-	(12)	-	(12)
Total comprehensive income for the period	-	50,081	(12)	595,385	645,454
Dividend approved in respect of the previous financial year	-	-	-	(92,631)	(92,631)
At 30 June 2009	1,398,527	65,886	905	1,675,749	3,141,067

19. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2009 not provided for in the Group's interim financial statements are as follows:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Contracted for	1,453	171,689

20. CONTINGENT LIABILITIES

Financial guarantees issued

As at 30 June 2009, 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\$2,262,000 (31 December 2008: HK\$2,573,000).

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.

21. 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 2009, an amount of HK\$39,000 had been charged to the Group. At 30 June 2009, an amount of HK\$18,000,000 (31 December 2008: 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. At 30 June 2009, an amount of HK\$8,059,000 (31 December 2008: HK\$11,094,000) remained unpaid and was included in trade and other receivables.

21. 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. At 31 December 2008, an amount of HK\$6,706,000, which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables. The balance has been repaid during the period.
- (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 2009. During the six months ended 30 June 2009, the Group received management and administrative fees in the total of HK\$300,000 (2008: HK\$300,000) 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 2009, the Group received interest amounting to HK\$945,000 (2008: HK\$2,211,000) from 2OK. At 30 June 2009, the amount advanced by the Group totalling HK\$93,272,000 (31 December 2008: HK\$100,971,000) 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\$490,000 (2008: HK\$537,000) was charged to the Group for the six months ended 30 June 2009. At 30 June 2009, an amount of HK\$511,000 (31 December 2008: HK\$570,000) 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. In 2008, a total fee of HK\$179,000 was charged to the Group. At 31 December 2008, an amount of HK\$727,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the period.

21. 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 2009, as a result of change in the latest cost estimates, an amount of HK\$5,208,000 (2008: HK\$370,000) and HK\$260,000 (2008: 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. At 30 June 2009, an amount of HK\$1,608,000 (31 December 2008: HK\$7,282,000), 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\$897,000 (2008: HK\$1,500,000), of which HK\$517,000 (2008: HK\$900,000) 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\$380,000 (2008: HK\$600,000) being the 1% fee, was charged by the project manager for the six months ended 30 June 2009 for the development of the TKT Property. At 30 June 2009, an amount of HK\$9,100,000 (31 December 2008: HK\$8,203,000) 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. During the six months ended 30 June 2009, the main contractor did not charge the Group as the construction work was completed in 2008. In accordance with the contract entered into with the Group, an amount of HK\$76,828,000, of which HK\$6,256,000 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 2009, an amount of HK\$157,089,000 (31 December 2008: HK\$50,007,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

21. 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 ended 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.
- (k) The annual value of the aforementioned lease and licence was subjected to certain annual cap.

During the six months ended 30 June 2009, an amount of HK\$5,021,000 (2008: HK\$6,684,000), being aggregate rental and fees receivable under the aforementioned lease and licence, was credited to the Group.

- (l) 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.

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

(l) *(Continued)*

In accordance with the contract entered into with the Group, an amount of HK\$1,333,000 (2008: HK\$1,333,000), of which HK\$750,000 (2008: HK\$750,000) 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 (2008: HK\$583,000) being the 1% fee, was charged by the project and sales manager for the six months ended 30 June 2009 for the development of the Yau Tong Property. At 30 June 2009, an amount of HK\$5,500,000 (31 December 2008: HK\$4,167,000) 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\$125,329,000 (2008: HK\$41,311,000), of which HK\$5,744,000 (2008: HK\$7,656,000) 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 2009 for the superstructure work of the development of the Yau Tong Property. At 30 June 2009, an amount of HK\$106,774,000 (31 December 2008: HK\$28,627,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

(m) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the sales manager for the TKT Property for a term of three years commencing from 1 November 2008 in consideration for a sales fee of 0.5% of the gross proceeds of sale of certain portions of the TKT Property, subject to the respective ceilings of HK\$Nil, HK\$2,000,000, HK\$400,000 and HK\$200,000 for the two months ended 31 December 2008, the years ending 31 December 2009 and 31 December 2010, and the ten months ending 31 October 2011 respectively. A total fee of HK\$2,000,000 (2008: HK\$Nil) was charged to the Group for the six months ended 30 June 2009. At 30 June 2009, an amount of HK\$2,000,000 (31 December 2008: HK\$Nil) remained unpaid and was included in trade and other payables.

(n) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the TKT Property (the "Tenancy Arrangements"), for the period from 16 June 2008 to the earlier of 15 December 2009 and the date on which the last residential unit in the TKT Property to be sold is sold, subject to the respective ceilings of HK\$5,000,000 for the period from 16 June 2008 to 31 December 2008 and HK\$8,500,000 for the year ending 31 December 2009. A total fee of HK\$4,289,000 (2008: HK\$Nil) was charged to the Group for the six months ended 30 June 2009. At 30 June 2009, an amount of HK\$2,859,000 (31 December 2008: HK\$4,939,000) remained unpaid and was included in trade and other payables.

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

- (o) As at 30 June 2009, HLD beneficially owned approximately 31.36% of the entire issued share capital of the Company.

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 the relevant requirements under Chapter 14A of the Listing Rules.

22. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments. These risks are limited by the Group's financial management policies and practices described below.

- (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and derivative financial instruments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These receivables 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. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

The Group has policies in place on the approval of entering into financial derivative instruments. Transactions involving derivative financial instruments are dealing with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any investment counterparties to fail to meet its obligations.

22. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets. Except for the financial guarantees given by the Group as set out in note 20, the Group does not provide any guarantees to third parties which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 20.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 14.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loan to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalents and derivative financial instruments that are denominated in a currency other than the Hong Kong dollar. The currencies giving rise to this risk are primarily United States dollars and Australian dollars.

For cash and cash equivalents denominated in United States dollars, the Group considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant. In respect of cash and cash equivalents and derivative financial instruments held in Australian dollars, the Group ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Other than the above, the Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.

22. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Equity price risk

The Group is exposed to equity price change arising from equity investments classified as available-for-sale equity securities (see note 12) and derivative financial instruments (see note 15).

Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

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 and Strangles (see note 15).

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2009

Up to the date of issue of these interim financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2009, and which have not been adopted in these interim statements.

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. The Group is therefore unable to disclose the impact that adopting these amendments, new standards and new interpretations will have on its financial position and the results of operations when such amendments, new standards and interpretations are adopted.

24. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

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

INTRODUCTION

We have reviewed the interim financial statements set out on pages 9 to 35 which comprise the consolidated balance sheet of Hong Kong Ferry (Holdings) Company Limited as of 30 June 2009 and the related consolidated profit and loss account, statement of comprehensive income, statement of changes in equity and condensed consolidated cash flow statement 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 statements 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 statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial statements 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 statements 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 statements as at 30 June 2009 are 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

25 August 2009



<http://www.hkf.com>