



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

中期報告
Interim Report **2012**



INTERIM RESULTS AND DIVIDEND

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2012 amounted to HK\$275.9 million, representing an increase of 29% as compared with the figure for the first half year of 2011. Earnings per share amounted to HK77 cents as compared with HK60 cents over the corresponding period of 2011.

The Board has resolved to pay an interim dividend of HK10 cents (2011: HK10 cents) per share in respect of the financial year ending 31 December 2012. The interim dividend will be paid on or about Thursday, 27 September 2012 to shareholders whose names appear on the register of members at the close of business on Thursday, 13 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the major source of profits of the Group was mainly derived from the sale of residential units of Shining Heights and surplus from revaluation of investment properties. The sale of residential units of Shining Heights during the period recorded a profit of HK\$155.3 million. The revaluation gain from the investment properties of the Group amounted to HK\$145.1 million.

Property Development and Investment Operations

As at 30 June 2012, the Group had sold a total of 13 residential units of Shining Heights. The occupancy rate of the commercial arcade of Shining Heights at the end of June 2012 was 93%.

At the end of June 2012, the commercial arcade of Metro Harbour Plaza was fully let. Rental and related income from the mall of Metro Harbour Plaza amounted to HK\$22.9 million during the period.

During the period under review, the foundation work of the site at Fanling Sheung Shui Town Lot No. 177 had been completed. Superstructure works are in progress. The project will be developed into three residential towers with over 700 units. The average floor area of an individual unit is 700 sq.ft. Together with the two-storey shopping mall, there will be a total gross floor area of approximately 540,000 sq.ft.

The foundation work of 208 Tung Chau Street (formerly known as 204–214 Tung Chau Street) is in progress. The property will be re-developed into a residential-cum-commercial building with total gross floor area of approximately 54,000 sq.ft.

The acquired site at Hung Hom Inland Lot No. 555 with approximately 6,300 sq.ft. will be developed into a residential-cum-commercial building comprising around 95 residential units with total gross floor area of approximately 56,000 sq.ft. The preliminary foundation work is in progress.

Management Discussion and Analysis (Continued)

Disposal of Property

The Group sold 52–56 Kwun Chung Street to a third party in July 2012 for a sale consideration of HK\$155,000,000. The said transaction is scheduled to be completed on or before 28 September 2012.

Ferry, Shipyard and Related Operations

Due to the increase in ship repairs and vehicular ferry business during the period, the Ferry, Shipyard and Related Operations recorded a profit of HK\$15.1 million, an increase of 311% in profit as compared with the same period last year.

Travel Operations

Due to intense market competition, the operating profit from Travel operations showed a decrease from HK\$0.9 million in the same period last year to HK\$0.2 million this year.

Securities Investment

As a result of the drop in share price of certain securities in the portfolio, an impairment loss of HK\$34.4 million was recorded in the Group's available-for-sale securities investment during the period.

Prospects

The global economy is still impacted by the European sovereign debt crisis. Although a new Greek Government was formed after several rounds of voting and the risk of Greek withdrawal from the Eurozone was temporarily avoided, the trade deficit of Greek has not been fundamentally resolved. In addition, the Spanish 10-year bond rates were once higher than 7% and the unemployment rate of Spain remains persistently at around 24%. Bond holders are still pessimistic. Other European countries are affected and the future prospect is unclear.

In the first half of this year, Chinese economy slowed down and is expected to reach a trough in the near future. With more than 8% unemployment, economic recovery in the United States is still sluggish.

Fortunately, Hong Kong economy has benefited from the continuous visit and spending of Chinese tourists. This has been giving rise to satisfactory performance in employment and retail business, with rental of commercial space expected to remain firm. Due to the prevailing shortage of property supply, low mortgage interest and the desire of buyers to hedge against inflation, the local residential market is expected to be stable for the rest of the year. Rental income and proceeds from the disposal of property inventory will remain the main source of income for the Group in the second half year of 2012.

Financial Review

Review of Results

During the six-month period ended 30 June 2012, the Group's turnover amounted to HK\$394 million, representing an increase of 7% as compared with that recorded in the same period last year. This was mainly attributable to the increase in the sale of the residential units of Shining Heights.

The consolidated net profit after taxation of the Group for the six-month period ended 30 June 2012 was HK\$275.9 million, representing an increase of 29% as compared with a profit of HK\$213.1 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 2012, shareholders' funds amounted to HK\$4,954 million, representing an increase of 5% as compared with the corresponding figure as at 31 December 2011. The increase arose from the profits for the period under review net of dividends paid.

There was no change to the capital structure of the Group during the period. As at 30 June 2012, 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\$2.2 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2012, current assets of the Group stood at HK\$3,237 million and current liabilities was HK\$287 million. Current ratio of the Group decreased from 15.3 as at 31 December 2011 to 11.3 as at 30 June 2012, mainly due to the increase in trade and other payables.

Gearing Ratio and Financial Management

As there was no borrowing, 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. Certain deposits are denominated in Australian dollar and Renminbi, 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 2012, the Group employed about 310 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 on Wednesday, 12 September 2012 and Thursday, 13 September 2012, 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, 11 September 2012.

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

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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 all code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), other than code provision A.6.7 of the CG code.

In respect of code provision A.6.7 of the CG Code, all non-executive directors (including independent non-executive directors) attended the annual general meeting of the Company held on 18 May 2012 except two non-executive directors and one independent non-executive director due to personal or business engagement.

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 2012.

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 CG Code.

Audit Committee

The Audit Committee has met in August 2012 and reviewed the accounting principles and practices adopted by the Group and have also discussed auditing, internal control and financial reporting matters including the review of the unaudited interim report for the six months ended 30 June 2012 with the management.

In addition, the Group's external auditor, KPMG, have also performed a review of the condensed interim financial statements for the six months ended 30 June 2012. Based on their review, nothing has come to their attention that causes them to believe that the condensed interim financial statements as at 30 June 2012 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 2012. 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, 20 August 2012

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 30 June 2012, 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 <i>Number of Shares</i>	Corporate Interests <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>	Total Interests <i>Number of Shares</i>	
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 <i>(Note 6 on page 9)</i>	—	119,531,310	33.55%
Mr. Leung Hay Man	2,250	—	—	2,250	0.00%
Mr. Li Ning	—	—	111,732,090 <i>(Note 5 on page 9)</i>	111,732,090	31.36%
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 <i>Number of Shares</i>	Family Interests <i>Number of Shares</i>
	Dr. Lee Shau Kee <i>(Note 1)</i>	5
Mr. Li Ning <i>(Note 2)</i>	—	5

WINWIDE LIMITED

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

Directors' Interests in Securities *(continued)*

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 2012.

Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2012, 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%
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%

Substantial Shareholders and Others *(continued)*

Notes:

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

1. 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.
2. 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 Chau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Chau Kee was taken to be interested in 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 Chau 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 2012.

Save as disclosed, as at 30 June 2012, 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 2012 – unaudited

	Note	Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Turnover	3(a)	393,855	366,889
Cost of sales		(159,426)	(187,773)
		234,429	179,116
Other revenue	3(a)	14,656	12,184
Other net income	4	5,399	18,788
Valuation gains on investment properties and investment property held for development	3(d)	145,110	77,888
Impairment loss on available-for-sale securities		(34,441)	—
Selling and marketing expenses		(14,667)	(12,677)
Administrative expenses		(21,113)	(21,983)
Other operating expenses		(23,837)	(21,587)
Profit from operations	3(b)	305,536	231,729
Share of profits less losses of associates		207	378
Profit before taxation	5	305,743	232,107
Taxation	6	(29,868)	(18,989)
Profit attributable to equity shareholders of the Company		275,875	213,118
Earnings per share (HK\$)			
— Basic and diluted	9	\$0.77	\$0.60

The notes on pages 16 to 35 form part of these condensed interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 7.

Condensed Interim Financial Statements (Continued)

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 – unaudited

	Note	Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Profit attributable to equity shareholders of the Company		275,875	213,118
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement in the securities revaluation reserve	8	42,222	(17,960)
Realisation of inter-company profits		—	(12)
		42,222	(17,972)
Total comprehensive income attributable to equity shareholders of the Company		318,097	195,146

The notes on pages 16 to 35 form part of these condensed interim financial statements.

Condensed Interim Financial Statements (Continued)

Consolidated Balance Sheet

At 30 June 2012

	Note	At 30 June 2012 (unaudited)		At 31 December 2011 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets					
– Investment properties	10		1,107,400		1,010,400
– Investment property held for development	10		148,000		108,000
– Other property, plant and equipment			76,341		79,684
– Interest in leasehold land			47,930		48,615
			1,379,671		1,246,699
Interest in associates	11		23,357		25,390
Available-for-sale securities	12		602,375		487,691
Employee benefits assets			10,993		11,189
Deferred tax assets			4,470		5,961
			2,020,866		1,776,930
Current assets					
Inventories	13	2,252,285		2,202,271	
Trade and other receivables	14	313,320		249,011	
Cash and cash equivalents	15	641,043		684,813	
Tax recoverable		30,293		31,655	
		3,236,941		3,167,750	

Condensed Interim Financial Statements (Continued)

Consolidated Balance Sheet *(continued)*

At 30 June 2012

	Note	At 30 June 2012 (unaudited)		At 31 December 2011 (audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities					
Trade and other payables	16	235,639		174,382	
Tax payable		51,544		32,217	
		<u>287,183</u>		<u>206,599</u>	
Net current assets			<u>2,949,758</u>		<u>2,961,151</u>
Total assets less current liabilities			<u>4,970,624</u>		<u>4,738,081</u>
Non-current liability					
Deferred tax liabilities			<u>16,549</u>		<u>9,472</u>
NET ASSETS			<u>4,954,075</u>		<u>4,728,609</u>
CAPITAL AND RESERVES					
Share capital			<u>356,274</u>		<u>356,274</u>
Reserves			<u>4,597,801</u>		<u>4,372,335</u>
TOTAL EQUITY			<u>4,954,075</u>		<u>4,728,609</u>

The notes on pages 16 to 35 form part of these condensed interim financial statements.

Condensed Interim Financial Statements (Continued)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 – unaudited

Note	Share capital HK\$'000	Share premium HK\$'000	Securities revaluation reserve HK\$'000	Other capital reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	
	Balance at 1 January 2011	356,274	1,398,527	146,400	869	2,523,318	4,425,388
	Changes in equity for the six months ended 30 June 2011:						
	Profit for the period	—	—	—	—	213,118	213,118
	Other comprehensive income	—	—	(17,960)	(12)	—	(17,972)
	Total comprehensive income for the period	—	—	(17,960)	(12)	213,118	195,146
	Dividends approved in respect of the previous financial year	7(b)	—	—	—	(92,631)	(92,631)
	Balance at 30 June 2011 and 1 July 2011	356,274	1,398,527	128,440	857	2,643,805	4,527,903
	Changes in equity for the six months ended 31 December 2011:						
	Profit for the period	—	—	—	—	352,007	352,007
	Other comprehensive income	—	—	(115,422)	(252)	—	(115,674)
	Total comprehensive income for the period	—	—	(115,422)	(252)	352,007	236,333
	Dividends declared in respect of the current year	7(a)	—	—	—	(35,627)	(35,627)
	Balance at 31 December 2011 and 1 January 2012	356,274	1,398,527	13,018	605	2,960,185	4,728,609
	Changes in equity for the six months ended 30 June 2012:						
	Profit for the period	—	—	—	—	275,875	275,875
	Other comprehensive income	—	—	42,222	—	—	42,222
	Total comprehensive income for the period	—	—	42,222	—	275,875	318,097
	Dividends approved in respect of the previous financial year	7(b)	—	—	—	(92,631)	(92,631)
	Balance at 30 June 2012	356,274	1,398,527	55,240	605	3,143,429	4,954,075

The notes on pages 16 to 35 form part of these condensed interim financial statements.

Condensed Interim Financial Statements (Continued)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012 – unaudited

	Note	Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Net cash generated from operating activities		125,521	179,310
Net cash (used in)/generated from investing activities		(76,660)	11,411
Net cash used in financing activities		(92,631)	(92,631)
Net (decrease)/increase in cash and cash equivalents		(43,770)	98,090
Cash and cash equivalents at 1 January	15	684,813	753,344
Cash and cash equivalents at 30 June	15	641,043	851,434

The notes on pages 16 to 35 form part of these condensed interim financial statements.

1. Basis of Preparation

These condensed 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”). They were authorised for issuance on 20 August 2012.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of condensed 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 condensed 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 Hong Kong Ferry (Holdings) Company Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) since the 2011 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”) issued by the HKICPA.

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

The financial information relating to the financial year ended 31 December 2011 that is included in the condensed 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 2011 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 20 March 2012.

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

2. Changes in Accounting Policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. These include the amendments to HKAS 12, *Income taxes — Deferred tax: recovery of underlying assets*, which the Group has already adopted in the prior period. None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment Reporting

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

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

- Property development: development and sale of properties.
- Property investment: leasing of properties.
- Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.
- Travel and hotel operations: hotel operation and management and operation of travel agency services.
- Securities investment: debt and equity securities investments.

Segment 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.

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting *(continued)*

Segment Results

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

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

The segment information for the six months ended 30 June 2012 and 2011 about these reportable segments is presented below:

(a) Segment Revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Property development	223,636	189,421	—	—	223,636	189,421
Property investment	31,101	27,665	34	30	31,067	27,635
Ferry, shipyard and related operations	68,389	58,749	1,594	1,304	66,795	57,445
Travel and hotel operations	66,454	82,352	1	44	66,453	82,308
Securities investment	9,423	10,850	—	—	9,423	10,850
Others	31,515	33,109	20,378	21,695	11,137	11,414
	430,518	402,146	22,007	23,073	408,511	379,073
Analysed by :						
Turnover					393,855	366,889
Other revenue					14,656	12,184
					408,511	379,073

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting *(continued)*

Segment Results *(continued)*

(a) Segment Revenue *(continued)*

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

The hotel operation was ceased after the completion of sale of the hotel properties, the Silvermine Beach Hotel, and hotel-related leasehold land, machinery and furniture in September 2011.

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

(b) Segment Results

	Reportable segment profit Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Property development	142,461	101,058
Property investment <i>(note 3(d))</i>	164,511	90,808
Ferry, shipyard and related operations	15,138	3,685
Travel and hotel operations	780	(495)
Securities investment	(25,276)	10,814
Others <i>(note 3(e))</i>	7,922	25,859
	305,536	231,729

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting *(continued)*

Segment Results *(continued)*

(c) Reconciliation of Reportable Segment Profit

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Reportable segment profit derived from external customers	305,536	231,729
Share of profits less losses of associates	207	378
Consolidated profit before taxation	305,743	232,107

- (d) The segment result of "Property investment" included valuation gains on investment properties and investment property held for development of HK\$145,110,000 (2011: HK\$77,888,000).
- (e) The segment result of "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

4. Other Net Income

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Net exchange (losses)/gains	(744)	16,516
Income from sale of spare parts	331	554
Forfeited deposits	819	450
Net profit on disposal of investment properties	3,451	—
Net realised and unrealised gains on derivative financial instruments	—	216
Sundry income	1,542	1,052
	5,399	18,788

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

5. Profit Before Taxation

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Amortisation of leasehold land premium	685	689
Cost of inventories	72,860	85,583
Depreciation	3,607	4,829
Dividend income from listed investments	(8,647)	(10,848)
Interest income	(11,803)	(12,302)

6. Taxation

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	21,278	11,059
Under-provision in respect of prior year	22	–
	21,300	11,059
Deferred tax		
Origination and reversal of temporary differences	8,568	7,930
	29,868	18,989

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period.

7. Dividends

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

	Six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interim dividend declared after the interim period of HK10 cents (2011: HK10 cents) per ordinary share	35,627	35,627

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

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

	Six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK26 cents (2011: HK26 cents) per ordinary share	92,631	92,631

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

8. Other Comprehensive Income

Components of other comprehensive income, including reclassification adjustments

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	7,781	(17,960)
Reclassification adjustments for amounts transferred to profit or loss:		
— impairment losses	34,441	—
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	42,222	(17,960)

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$275,875,000 (2011: HK\$213,118,000) and 356,273,883 (2011: 356,273,883) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2012 and 2011, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. Investment Properties and Investment Property Held for Development

Valuation

Investment properties and investment property held for development held by the Group were revalued at 30 June 2012, on a market value basis in their existing states calculated by means of capitalisation of the net income allowing for reversionary income potential and by reference to comparable market transactions. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, 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.

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

11. Interest in Associates

	At 30 June 2012 (unaudited) HK\$'000	At 31 December 2011 (audited) HK\$'000
Share of net assets	5,528	5,321
Amounts due from associates	24,299	26,539
	29,827	31,860
Less: Impairment loss	(6,470)	(6,470)
	23,357	25,390

Other particulars of associates are as follows:

	Particulars of issued & paid up capital	Proportion 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

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

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

12. Available-for-Sale Securities

	At 30 June 2012 (unaudited) HK\$'000	At 31 December 2011 (audited) HK\$'000
Unlisted securities	45	45
Listed debt securities	125,694	13,781
Listed securities		
— in Hong Kong	335,193	325,849
— outside Hong Kong	141,443	148,016
	476,636	473,865
	602,375	487,691
Market value of listed securities	602,330	487,646
Fair value of individually impaired available-for-sale securities	43,322	51,866

As at 30 June 2012 the Group's available-for-sale securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses of HK\$34,441,000 (2011: HK\$Nil) on these investments were recognised in profit or loss for the period.

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

13. Inventories

Inventories in the consolidated balance sheet comprise:

	At 30 June 2012 (unaudited) <i>HK\$'000</i>	At 31 December 2011 (audited) <i>HK\$'000</i>
Property development		
Properties held development for sale	2,156,576	2,049,533
Completed properties held for sale	80,907	143,926
	2,237,483	2,193,459
Other operations		
Trading stocks	409	296
Spare parts and consumables	3,024	3,160
Work in progress	11,369	5,356
	14,802	8,812
	2,252,285	2,202,271

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

14. Trade and Other Receivables

	At 30 June 2012 (unaudited) HK\$'000	At 31 December 2011 (audited) HK\$'000
Trade receivables	275,007	159,071
Less: allowance for doubtful debts	(2,664)	(2,266)
	272,343	156,805
Other receivables and prepayments	40,977	92,206
	313,320	249,011

All of the trade and other receivables at 30 June 2012 except for instalment receivables of HK\$124,511,000 (31 December 2011: HK\$82,810,000) are expected to be recovered or recognised as expense within one year.

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	At 30 June 2012 (unaudited) HK\$'000	At 31 December 2011 (audited) HK\$'000
Current	258,581	147,958
1 to 3 months overdue	11,155	6,929
More than 3 months but less than 12 months overdue	1,477	759
More than 12 months overdue	1,130	1,159
	272,343	156,805

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

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

15. Cash and Cash Equivalents

	At 30 June 2012 (unaudited) HK\$'000	At 31 December 2011 (audited) HK\$'000
Deposits with banks and other financial institutions	616,672	658,938
Cash at bank and in hand	24,371	25,875
Cash and cash equivalents in the balance sheet	641,043	684,813

16. Trade and Other Payables

All of the trade and other payables except for an amount of HK\$4,876,000 (31 December 2011: HK\$4,149,000) are expected to be settled or recognised as income within one year.

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

	At 30 June 2012 (unaudited) HK\$'000	At 31 December 2011 (audited) HK\$'000
Due within 1 month or on demand	167,072	96,525
Due after 1 month but within 3 months	136	179
Due after 3 months but within 12 months	1	650
	167,209	97,354

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

17. Capital and Other Commitments

Capital and other commitments outstanding at 30 June 2012 not provided for in these condensed interim financial statements are as follows:

	At 30 June 2012 (unaudited) HK\$'000	At 31 December 2011 (audited) HK\$'000
Contracted for	1,067,750	1,101,366

18. Contingent Liabilities

Financial guarantees issued

At 30 June 2012, 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 amounts due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the balance sheet date, the directors do not consider it is 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 amounts due to the relevant suppliers by its wholly-owned subsidiaries, being HK\$1,865,000 (31 December 2011: HK\$1,762,000).

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

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. At 30 June 2012, an amount of HK\$18,000,000 (31 December 2011: 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 2012, an amount of HK\$8,025,000 (31 December 2011: HK\$7,997,000) remained unpaid and was included in trade and other receivables.

- (b) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited (“2OK”) which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 30 June 2012. During the period, the Group received management and administrative fees in the total of HK\$200,000 (2011: 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 amounts advanced. During the period, the Group received interest amounting to HK\$134,000 (2011: HK\$263,000) from 2OK. At 30 June 2012, the amounts advanced by the Group totalling HK\$12,698,000 (31 December 2011: HK\$14,938,000) is in proportion to the Group’s equity interest in 2OK and is unsecured and has no fixed repayment terms.

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

- (c) 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. An amount of HK\$700,000 (2011: HK\$605,000) was charged to the Group for the period. At 30 June 2012, an amount of HK\$717,000 (31 December 2011: HK\$697,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the period and confirmed that this continued connected transaction was in normal commercial terms where each or all of the percentage ratios (other than the profits ratio) is on an annual basis:

1. less than 0.1%; or
2. less than 5% and the annual consideration is less than HK\$1,000,000.

This continuing connected transaction is exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Rule 14A.33 of the Listing Rules.

- (d) In May 2006, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Shining Heights, 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 up to the period end of 31 March 2009. In September 2009, the project management agreement extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK\$3,000,000 and HK\$3,000,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively. At 31 December 2011, an amount of HK\$8,500,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the period.

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

- (e) 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 Group together with the 5% fee shall be subject to a total annual ceiling of HK\$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK\$5,500,000 and HK\$6,500,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively. During the period ended 30 June 2012, as a result of change in the latest cost estimates, amounts of HK\$7,197,000 and HK\$343,000, represented 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 development of the TKT Property. During the six months ended 30 June 2011, there was no change in cost estimates. At 30 June 2012, an amount of HK\$2,294,000 (31 December 2011: HK\$9,491,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.
- (f) In July 2009, 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 two years commencing from 1 July 2009 at a monthly rental of HK\$280,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business over HK\$142,241,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for one external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrances of MHP. An additional external wall signage was licensed to the tenant in October 2010 at an annual fee of HK\$1,000 and expired on 30 June 2011.

In July 2011, the Group and the wholly-owned subsidiary of HLD agreed to renew their tenancy and licence agreements was for a term of three years commencing from 1 July 2011. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2011 at a monthly rental of HK\$350,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business over HK\$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for fourteen external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrances of MHP. Total annual licence fee payable under the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement is HK\$60,000 and HK\$6,600 respectively.

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

During the period, an amount of HK\$4,239,000 (2011: HK\$3,613,000), being aggregate rental and fees receivable under the aforementioned lease and licence, was credited to the Group.

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

- (g) 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 ended 31 December 2009 and 2010, and the ten months ended 31 October 2011 respectively. A total fee of HK\$75,000 (2011: HK\$200,000) was charged to the Group for the period. At 30 June 2012, an amount of HK\$75,000 (31 December 2011: HK\$318,000) remained unpaid and included in trade and other payables.
- (h) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the TKT Property 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 ended 31 December 2009. At 30 June 2012, an amount of HK\$1,104,000 (31 December 2011: HK\$1,104,000) remained unpaid and was included in trade and other payables.
- (i) In March 2011, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Fanling Sheung Shui Town Lot No. 177 (the "Fanling Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 0.7% of the construction costs of the Fanling Property and other lump sum fees for supplementary services subject to a ceiling of HK\$7,000,000; and 0.5% of the gross proceeds of sales (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK\$2,790,000 (2011: HK\$1,584,000) was charged to the Group for the period. At 30 June 2012, an amount of HK\$7,542,000 (31 December 2011: HK\$4,752,000) remained unpaid and was included in trade and other payables.

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

- (j) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the Fanling Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. In accordance with the contract entered into with the Group, an amount of HK\$83,207,000 (2011: HK\$Nil), of which HK\$18,621,000 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 superstructure work of the development of the Fanling Property. At 30 June 2012, an amount of HK\$83,207,000 (31 December 2011: HK\$23,762,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.
- (k) In March 2011, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Tung Chau Street Property located at 208 Tung Chau Street (formerly known as 204–214 Tung Chau Street), Sham Shui Po, Kowloon, Hong Kong (the “TCS Property”) for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the TCS Property, subject to a ceiling of HK\$1,490,000; and 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK\$1,184,000 (2011: HK\$352,000) was charged to the Group for the period. At 30 June 2012, an amount of HK\$2,475,000 (31 December 2011: HK\$1,292,000) remained unpaid and was included in trade and other payables.
- (l) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the TCS 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 the total ceilings of the respective years. The construction has not commence. No cost has been charged for the six months ended 30 June 2012.
- (m) In March 2012, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the Fanling Property (the “Tenancy Arrangements”), for the period from 20 March 2012 to the earlier of 15 June 2013 and the date on which the last residential unit in the Fanling Property is sold, subject to the respective ceilings of HK\$7,500,000 for the period from 20 March 2012 to 31 December 2012 and HK\$4,500,000 for the period ended 15 June 2013. A total fee of HK \$2,855,000 was charged to the Group for the period. At 30 June 2012, an amount of HK\$2,855,000 (2011: HK\$Nil) remained unpaid and was included in trade and other payables.

Notes to The Unaudited Condensed Interim Financial Statements (Continued)

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

- (n) In February 2012, the Group appointed a wholly-owned subsidiary of HLD as the contractor for carrying out the substructure works of TCS Property. The annual ceiling for the year ending 31 December 2012 and 31 December 2013 were HK\$26,000,000 and HK\$4,000,000 respectively. No cost has been charged for the six months ended 30 June 2012.
- (o) At 30 June 2012, HLD (as defined in the Listing Rules) 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.

20. Non-Adjusting Post Balance Sheet Events

- (a) After the balance sheet date, the directors declared an interim dividend. Further details are disclosed in note 7(a).
- (b) On 27 July 2012, Star Unity Limited, a wholly-owned subsidiary of the Group entered into a Provisional Agreement for Sale and Purchase with a purchaser to sell the property located at 52–56 Kwun Chung Street for a consideration of HK\$155,000,000.

Taking into account the carrying value of the property, upon completion, a gain in an estimated sum of approximately HK\$5,000,000 before tax is expected to accrue to the Group as a result of the disposal.

REVIEW REPORT



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

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 10 to 35 which comprises the consolidated balance sheet of Hong Kong Ferry (Holdings) Company Limited as of 30 June 2012 and the related consolidated profit and loss account, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of 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 condensed 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 condensed interim financial statements as at 30 June 2012 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

20 August 2012



<http://www.hkf.com>