HONG KONG FERRY (HOLDINGS) COMPANY LIMITED
香 港 小 輪 (集 團) 有 限 公 司

(Stock Code 股份代號: 50)

2013
Interim Report 中期報告

INTERIM RESULTS AND DIVIDEND

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2013 amounted to HK$130.5 million, representing a decrease of 53% as compared with the figure for the first half year of 2012. Earnings per share amounted to HK37 cents as compared with HK77 cents (restated) over the corresponding period of 2012.

The Board has resolved to pay an interim dividend of HK10 cents (2012: HK10 cents) per share in respect of the financial year ending 31 December 2013. The interim dividend will be paid on or about Friday, 27 September 2013 to shareholders whose names appear on the register of members at the close of business on Friday, 13 September 2013.

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 The Spectacle and surplus from revaluation of investment properties. The sale of residential units of Shining Heights and The Spectacle during the period recorded a total profit of HK$62.2 million. The revaluation gain from the investment properties of the Group amounted to HK$47.4 million.

Property Development and Investment Operations

Rental and other income from the mall of the Group amounted to HK$29.3 million during the period. The commercial arcades of both Metro Harbour Plaza and Shining Heights at the end of June 2013 were fully let whereas the occupancy rate of the commercial portion of The Spectacle was around 60%.

During the period under review, the development project of Green Code at No. 1 Ma Sik Road, Fanling, New Territories had been launched for sale in March 2013 and the response from the buyers was good. A total of 533 units had been sold during the period with sales proceeds of approximately HK$2,373 million. The profit from property sales will be accounted for in 2013 if the relevant Occupation Permit can be obtained before the end of this year.

The site at Hung Hom Inland Lot No. 555 of approximately 6,300 sq. ft. will be developed into a residential-cum-commercial building comprising 95 residential units with total gross floor area of approximately 56,000 sq. ft. The foundation works had been completed in the first half of 2013.

The project at 208 Tung Chau Street ("TCS project") was planned to be re-developed into a residential-cum-commercial building with a total gross floor area of approximately 54,000 sq. ft. The foundation works were completed by the second quarter of 2013. As disclosed by the Company in an announcement published on 16 May 2013, the progress of the TCS project may be delayed due to a recent ruling in favour of The Secretary of Justice on appeal against Fully Profit (Asia) Limited (an independent third party to the Company and its directors) in a case of the Court of Final Appeal of Hong Kong regarding the meaning of the word "house" under the Government lease. The Company needs to clarify with the Lands Department on the terms of the lease of the TCS project. The Company will make further announcements and keep shareholders informed of further developments as and when necessary.

Management Discussion and Analysis (Continued)

Business Review *(continued)*

Ferry, Shipyard and Related Operations

Due to the sale of the two oil carriers during the period, the Ferry, Shipyard and Related Operations recorded a profit of HK$28.8 million, an increase of 90% as compared with the same period last year.

Travel Operations

The operating results of Travel operations showed a deficit of HK$1.7 million this period as a result of severe market competition and outbreak of avian flu in China.

Securities Investment

As a result of the decline in the Hong Kong stock market, an impairment loss of HK$25.1 million was recorded in the Group's securities investment during the period.

Prospects

The US economy continues to improve, with unemployment rate gradually coming down to 7.4% as at last month. The Euro-zone ends six quarters of negative economic growth, with a recent modest gain of 0.3% in GDP. The investment climate in China also improves after Premier Li Keqiang emphasized a bottom-line GDP growth of 7%. The mainland economy will continue to change from export and investment led to domestic consumption led.

The improvement in the global environment fostered the Hong Kong economy, which grew at 3.3% in the second quarter of 2013. Hong Kong's role as an international financial centre will likely further strengthen. However, the local property market has turned sluggish after the introduction of the three stamp duties, the "Buyer's Stamp Duty" included. Property prices currently stay flat and will be short of appreciation potential, given that supply of primary residential units is forecast to increase to 13,500 and 15,800 in 2013 and 2014 respectively. An early Fed tapering may cause interest rate to rise and increase uncertainty in the local property market.

If the Occupation Permit of the Group's development project, Green Code, can be obtained before the end of this year, then it will be the main contributor to the Group's profit for 2013.

Financial Review

Review of Results

During the six months ended 30 June 2013, the Group's turnover amounted to HK$245.3 million, representing a decrease of 38% as compared with that recorded in the same period last year. This was mainly attributable to the decrease in the sales of the residential units of Shining Heights.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2013 was HK$130.5 million, representing a decrease of 53% as compared with a profit of HK$275.3 million (restated) for the same period last year. The reason for the decrease is already mentioned in the Management Discussion and Analysis section of this report.

Management Discussion and Analysis (Continued)

Financial Review *(continued)*

Liquidity, Financial Resources and Capital Structure

As at 30 June 2013, shareholders' funds amounted to HK$5,066 million, representing a decrease of 2% as compared with the corresponding figure as at 31 December 2012. The decrease was mainly due to the net effect of the proceeds realised from the sale of residential units of Shining Heights and The Spectacle, the gains on revaluation of the Group's investment properties, the deficit on securities revaluation reserve and the payment of dividends.

There was no change to the capital structure of the Group during the period. As at 30 June 2013, 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$3.3 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2013, current assets of the Group stood at HK$5,292 million and current liabilities were HK$2,291 million. Current ratio of the Group decreased from 8.8 as at 31 December 2012 to 2.3 as at 30 June 2013, 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 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 2013, the Group employed about 300 staff. The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies.

OTHER INFORMATION

Closure of Register of Members

The Register of Members will be closed on Thursday, 12 September 2013 and Friday, 13 September 2013, during which period no requests for the transfer of shares will be accepted.

In order to qualify for the interim dividend, all transfers documents accompanied by the relevant share certificates 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 Wednesday, 11 September 2013.

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

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

Arrangement to Purchase Shares, Warrants, Options or Debentures

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

Corporate Governance

The Company is committed to maintain high standards of corporate governance. In the opinion of the Board of Directors (the "Board"), the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2013.

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 2013.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees, (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities) in respect of their dealings in the securities of the Company in compliance with the Code Provision A.6.4 of the Code.

Other Information (Continued)

Audit Committee

The Audit Committee has met in August 2013 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 2013 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 2013. 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 2013 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 2013. The Remuneration Committee currently comprises four independent non-executive directors and two executive directors.

On behalf of the Board
Lam Ko Yin, Colin
Chairman

Hong Kong, 20 August 2013

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 30 June 2013, the interests of the directors in securities of the Company and its associated corporations (within the meaning of Part XV 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				
	Personal Interests *Number of Shares*	Corporate Interests *Number of Shares*	Family Interests *Number of Shares*	Total Interests *Number of Shares*	Approximate percentage of total issued shares
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 *(Note 6 on page 9)*	–	119,531,310	33.55%
Mr. Leung Hay Man	2,250	–	–	2,250	0.00%
Mr. Li Ning	–	–	111,732,090 *(Note 5 on page 9)*	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 *Number of Shares*	Family Interests *Number of Shares*
Dr. Lee Shau Kee *(Note 1)*	5	–
Mr. Li Ning *(Note 2)*	–	5

	WINWIDE LIMITED	
	Corporate Interests *Number of Shares*	Family Interests *Number of Shares*
Dr. Lee Shau Kee *(Note 3)*	70	–
Mr. Li Ning *(Note 4)*	–	70

Disclosure of Interests (Continued)

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 2013.

Disclosure of Interests (Continued)

Substantial Shareholders and Others

As at 30 June 2013, 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 *(Note 1)*	111,732,090	31.36%
Pataca Enterprises Limited *(Note 1)*	70,200,000	19.70%
Wiselin Investment Limited *(Note 2)*	41,532,090	11.66%
Max-mercan Investment Limited *(Note 2)*	41,532,090	11.66%
Camay Investment Limited *(Note 2)*	41,532,090	11.66%
Henderson Development Limited *(Note 3)*	111,732,090	31.36%
Hopkins (Cayman) Limited *(Note 4)*	111,732,090	31.36%
Rimmer (Cayman) Limited *(Note 4)*	111,732,090	31.36%
Riddick (Cayman) Limited *(Note 4)*	111,732,090	31.36%
Mr. Li Ning *(Note 5)*	111,732,090	31.36%
Dr. Lee Shau Kee *(Note 6)*	119,531,310	33.55%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	23,400,000	6.57%

Disclosure of Interests (Continued)

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 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 2013.

Save as disclosed, as at 30 June 2013, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are required to be disclosed shown as follows:

Name of Director	Details of Changes
Mr. Lam Ko Yin, Colin	Appointed as the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research on 28 February 2013.
Mr. Li Ning	Ceased to act as an independent non-executive director of Glencore International plc, a listed company, on 2 May 2013.
Mr. Au Siu Kee, Alexander	Ceased to act as a member of the Court of The Hong Kong University of Science and Technology on 1 June 2013.
Dr. Lee Shau Kee	Resigned as an independent non-executive director of The Bank of East Asia, Limited, a listed company, on 24 April 2013.

CONDENSED INTERIM FINANCIAL STATEMENTS

Consolidated Profit and Loss Account

For the six months ended 30 June 2013 – unaudited

	Note	Six months ended 30 June 2013 HK$'000	2012 HK$'000 Restated
Turnover	3(a)	**245,285**	393,855
Cost of sales		**(115,401)**	(159,426)
		129,884	234,429
Other revenue	3(a)	**20,341**	14,656
Other net income	4	**38,175**	5,399
Valuation gains on investment properties and investment property held for development	3(d)	**47,400**	145,110
Impairment loss on available-for-sale securities		**(25,134)**	(34,441)
Selling and marketing expenses		**(21,935)**	(14,667)
Administrative expenses		**(20,958)**	(21,669)
Other operating expenses		**(20,757)**	(23,837)
Profit from operations	3(b)	**147,016**	304,980
Share of profits less losses of associates		**448**	207
Profit before taxation	5	**147,464**	305,187
Taxation	6	**(16,922)**	(29,868)
Profit attributable to equity shareholders of the Company		**130,542**	275,319
Earnings per share (HK$)			
– Basic and diluted	9	**$0.37**	$0.77

The notes on pages 17 to 39 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 2013 – unaudited

	Note	Six months ended 30 June 2013 HK$'000	2012 HK$'000 Restated
Profit attributable to equity shareholders of the Company		**130,542**	275,319
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities: net movement in the securities revaluation reserve	8	**(115,486)**	42,222
Total comprehensive income attributable to equity shareholders of the Company		**15,056**	317,541

The notes on pages 17 to 39 form part of these condensed interim financial statements.

Condensed Interim Financial Statements (Continued)

Consolidated Balance Sheet

At 30 June 2013

	Note	At 30 June 2013 (unaudited) HK$'000	HK$'000	At 31 December 2012 (audited) HK$'000	HK$'000 Restated
Non-current assets					
Fixed assets					
– Investment properties	10		**1,230,200**		1,182,800
– Other property, plant and equipment			**72,143**		73,724
– Interest in leasehold land			**46,561**		47,245
			1,348,904		1,303,769
Interest in associates	11		**19,285**		22,046
Available-for-sale securities	12		**708,405**		711,636
Employee benefits assets			**4,059**		4,802
Deferred tax assets			**9,672**		7,482
			2,090,325		2,049,735
Current assets					
Inventories	13	**2,577,925**		2,443,439	
Trade and other receivables	14	**1,943,573**		203,096	
Cash and bank balances	15	**739,183**		837,030	
Tax recoverable		**30,995**		30,677	
		5,291,676		3,514,242	

Condensed Interim Financial Statements (Continued)

Consolidated Balance Sheet *(continued)*

At 30 June 2013

	Note	At 30 June 2013 (unaudited) HK$'000	HK$'000	At 31 December 2012 (audited) HK$'000	HK$'000 Restated
Current liabilities					
Trade and other payables	16	**2,241,499**		359,829	
Tax payable		**49,169**		39,711	
		2,290,668		399,540	
Net current assets			**3,001,008**		3,114,702
Total assets less current liabilities			**5,091,333**		5,164,437
Non-current liability					
Deferred tax liabilities			**25,458**		20,987
NET ASSETS			**5,065,875**		5,143,450
CAPITAL AND RESERVES					
Share capital			**356,274**		356,274
Reserves			**4,709,601**		4,787,176
TOTAL EQUITY			**5,065,875**		5,143,450

The notes on pages 17 to 39 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 2013 – 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 2012		356,274	1,398,527	13,018	605	2,960,185	4,728,609
Impact of change in accounting policy	2	–	–	–	–	(5,985)	(5,985)
Restated balance at 1 January 2012		356,274	1,398,527	13,018	605	2,954,200	4,722,624
Changes in equity for the six months ended 30 June 2012:							
Profit for the period (restated)		–	–	–	–	275,319	275,319
Other comprehensive income		–	–	42,222	–	–	42,222
Total comprehensive income (restated)		–	–	42,222	–	275,319	317,541
Dividends approved in respect of the previous year	7(b)	–	–	–	–	(92,631)	(92,631)
Restated balance at 30 June 2012 and 1 July 2012		356,274	1,398,527	55,240	605	3,136,888	4,947,534
Changes in equity for the six months ended 31 December 2012:							
Profit for the period (restated)		–	–	–	–	121,925	121,925
Other comprehensive income (restated)		–	–	108,516	–	1,102	109,618
Total comprehensive income (restated)		–	–	108,516	–	123,027	231,543
Dividends declared in respect of the current year	7(a)	–	–	–	–	(35,627)	(35,627)
Restated balance at 31 December 2012 and 1 January 2013		**356,274**	**1,398,527**	**163,756**	**605**	**3,224,288**	**5,143,450**
Changes in equity for the six months ended 30 June 2013:							
Profit for the period		**–**	**–**	**–**	**–**	**130,542**	**130,542**
Other comprehensive income		**–**	**–**	**(115,486)**	**–**	**–**	**(115,486)**
Total comprehensive income		**–**	**–**	**(115,486)**	**–**	**130,542**	**15,056**
Dividends approved in respect of the previous year	7(b)	**–**	**–**	**–**	**–**	**(92,631)**	**(92,631)**
Balance at 30 June 2013		**356,274**	**1,398,527**	**48,270**	**605**	**3,262,199**	**5,065,875**

The notes on pages 17 to 39 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 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	**HK$'000**	HK$'000
Net cash generated from operating activities		**77,440**	125,521
Net cash used in investing activities		**(258,875)**	(76,660)
Net cash used in financing activities		**(92,631)**	(92,631)
Net decrease in cash and cash equivalents		**(274,066)**	(43,770)
Cash and cash equivalents at 1 January	15	**837,030**	684,813
Cash and cash equivalents at 30 June	15	**562,964**	641,043

The notes on pages 17 to 39 form part of these condensed interim financial statements.

NOTES TO THE UNAUDITED 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, 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 issue on 20 August 2013.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 40.

The financial information relating to the financial year ended 31 December 2012 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 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2013.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

2. Changes in Accounting Policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs 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:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these condensed interim financial statements has been modified accordingly.

HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

2. Changes in Accounting Policies *(continued)*

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in these condensed interim financial statements as a result of adopting HKFRS 12.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial statements. The Group has provided those disclosures in note 17. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised HKAS 19, *Employee benefits*

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

2. Changes in Accounting Policies *(continued)*

Revised HKAS 19, *Employee benefits* *(continued)*

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2011 and 2012, and the result for the six months ended 30 June 2012 as follows:

	As previously reported HK$'000	Effect of adopting revised HKAS 19 HK$'000	As restated HK$'000
Consolidated profit and loss account for the six months ended 30 June 2012:			
Administrative expenses	21,113	556	21,669
Profit for the period	275,875	(556)	275,319
Consolidated statement of comprehensive income for the six months ended 30 June 2012:			
Total comprehensive income for the period	318,097	(556)	317,541
Consolidated balance sheet as at 31 December 2012:			
Employee benefits assets	10,796	(5,994)	4,802
Retained profits	3,230,282	(5,994)	3,224,288
Consolidated balance sheet as at 1 January 2012:			
Employee benefits assets	11,189	(5,985)	5,204
Retained profits	2,960,185	(5,985)	2,954,200

This change in accounting policy does not have any material impact on current or deferred taxation and earnings per share.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting

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

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

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.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting *(continued)*

Segment Results *(continued)*

The segment information for the six months ended 30 June 2013 and 2012 about these reportable segments is presented below:

(a) Segment Revenue

	Total revenue Six months ended 30 June		Elimination of inter-segment revenue Six months ended 30 June		Revenue from external customers Six months ended 30 June	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Property development	**92,344**	223,636	**–**	–	**92,344**	223,636
Property investment	**33,659**	31,101	**35**	34	**33,624**	31,067
Ferry, shipyard and related operations	**62,503**	68,389	**978**	1,594	**61,525**	66,795
Travel operation	**61,128**	66,454	**138**	1	**60,990**	66,453
Securities investment	**11,127**	9,423	**–**	–	**11,127**	9,423
Others	**31,253**	31,515	**25,237**	20,378	**6,016**	11,137
	292,014	430,518	**26,388**	22,007	**265,626**	408,511
Analysed by:						
Turnover					**245,285**	393,855
Other revenue					**20,341**	14,656
					265,626	408,511

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

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.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

3. Segment Reporting *(continued)*

Segment Results *(continued)*

(b) Segment Result

	Reportable segment profit Six months ended 30 June	
	2013 HK$'000	2012 HK$'000 Restated
Property development	**49,222**	142,461
Property investment *(note 3(d))*	**65,969**	164,511
Ferry, shipyard and related operations	**28,836**	15,138
Travel operation	**(1,767)**	780
Securities investment	**3,104**	(25,276)
Others *(note 3(e))*	**1,652**	7,366
	147,016	304,980

(c) Reconciliation of Reportable Segment Profit

	Six months ended 30 June	
	2013 HK$'000	2012 HK$'000 Restated
Reportable segment profit derived from external customers	**147,016**	304,980
Share of profits less losses of associates	**448**	207
Consolidated profit before taxation	**147,464**	305,187

(d) The segment result of "Property investment" included valuation gains on investment properties and investment property held for development of HK$47,400,000 (2012: HK$145,110,000).

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

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

4. Other Net Income

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Net profit on disposal of other property, plant and equipment	**18,190**	–
Net profit on sale of available-for-sale securities	**17,489**	–
Net exchange losses	**(1,633)**	(744)
Net profit on disposal of investment properties	**–**	3,451
Income from sale of spare parts	**189**	331
Forfeited deposits	**2,429**	819
Sundry income	**1,511**	1,542
	38,175	5,399

5. Profit Before Taxation

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Amortisation of leasehold land premium	**684**	685
Cost of inventories	**32,404**	72,860
Depreciation	**3,014**	3,607
Dividend income from listed investments	**(5,873)**	(8,647)
Interest income	**(13,429)**	(11,803)

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

6. Taxation

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**14,641**	21,278
Under-provision in respect of prior year	**–**	22
	14,641	21,300
Deferred tax		
Origination and reversal of temporary differences	**2,281**	8,568
	16,922	29,868

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the period.

7. Dividends

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Interim dividend declared and paid after the interim period of HK10 cents (2012: HK10 cents) per ordinary share	**35,627**	35,627

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

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

7. Dividends *(continued)*

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK26 cents (2012: HK26 cents) per ordinary share	**92,631**	92,631

8. Other Comprehensive Income

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	**(120,811)**	7,781
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**(19,809)**	–
– impairment losses	**25,134**	34,441
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	**(115,486)**	42,222

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$130,542,000 (six months ended 30 June 2012 (restated): HK$275,319,000) and 356,273,883 (2012: 356,273,883) ordinary shares in issue during the interim period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2013 and 2012, therefore diluted earnings per share are the same as basic earnings per share for both periods.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

10. Investment Properties

Valuation

Investment properties held by the Group were revalued at 30 June 2013, on a market value basis in their existing states calculated by means of capitalisation of the net income allowing for reversionary income potential and where appropriate 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. As a result of the update, a net gain of HK$47,400,000 (2012: HK$145,110,000) has been recognised in profit or loss for the period in respect of investment properties.

11. Interest in Associates

	At 30 June 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Share of net assets	**6,503**	6,055
Amounts due from associates	**19,252**	22,461
	25,755	28,516
Less: Impairment loss	**(6,470)**	(6,470)
	19,285	22,046

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 ("2OK")	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 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Unlisted securities	**45**	45
Listed debt securities	**127,841**	134,585
Listed equity securities		
– in Hong Kong	**470,723**	416,859
– outside Hong Kong	**109,796**	160,147
	580,519	577,006
	708,405	711,636
Market value of listed securities	**708,360**	711,591
Fair value of individually impaired available-for-sale securities	**69,809**	50,111

As at 30 June 2013, 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$25,134,000 (2012: HK$34,441,000) 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 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Property development		
Properties under development for sale	**2,511,367**	2,360,533
Completed properties held for sale	**48,632**	71,980
	2,559,999	2,432,513
Other operations		
Trading stocks	**1,033**	1,382
Spare parts and consumables	**2,523**	2,577
Work in progress	**14,370**	6,967
	17,926	10,926
	2,577,925	2,443,439

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

14. Trade and Other Receivables

	At 30 June 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Trade receivables	270,409	168,803
Less: allowance for doubtful debts	(497)	(497)
	269,912	168,306
Cash held by stakeholders	1,571,173	–
Other receivables and prepayments	102,488	34,790
	1,943,573	203,096

All of the trade and other receivables at 30 June 2013 except for instalment receivables of HK$130,234,000 (31 December 2012: HK$108,046,000) 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 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Current	225,710	148,143
1 to 3 months overdue	21,169	16,744
More than 3 months but less than 12 months overdue	21,457	2,271
More than 12 months overdue	1,576	1,148
	269,912	168,306

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 Bank Balances

	At 30 June 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Deposits with banks and other financial institutions	**719,854**	822,535
Cash at bank and in hand	**19,329**	14,495
Cash and bank balances in the consolidated balance sheet	**739,183**	837,030
Less: Deposits with maturity over three months	**(176,219)**	–
Cash and cash equivalents in the condensed consolidated cash flow statement	**562,964**	837,030

16. Trade and Other Payables

All of the trade and other payables except for an amount of HK$6,184,000 (31 December 2012: HK$6,684,000) are expected to be settled or recognised as income within one year.

Included in trade and other payables at 30 June 2013 was an amount of HK$1,789,693,000 (31 December 2012: HK$Nil) which represented forward sale deposits received in connection with the pre-sale of properties under development for sale for the period.

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

	At 30 June 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Due within 1 month or on demand	**325,278**	294,592
Due after 1 month but within 3 months	**232**	45
Due after 3 months but within 12 months	**–**	–
More than 12 months	**1**	1
	325,511	294,638

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

17. Fair Value Measurement of Financial Instruments

(a) Financial assets measured at fair value

Fair value hierarchy

		Fair value measurements as at 30 June 2013 using		
	Fair value at 30 June 2013 HK$'000	Quoted prices in active market for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale securities:				
– Listed	708,360	708,360	–	–

		Fair value measurements as at 31 December 2012 using		
	Fair value at 31 December 2012 HK$'000	Quoted prices in active market for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale securities:				
– Listed	711,591	711,591	–	–

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: HK$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

17. Fair Value Measurement of Financial Instruments *(continued)*

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013 except as follows:

	Note	**2013** Carrying amount HK$'000	Fair value HK$'000	2012 Carrying amount HK$'000	Fair value HK$'000
Amounts due from associates	(i)	**5,181**	**–**	5,131	–
Available-for-sale securities:					
– Unlisted	(ii)	**45**	**–**	45	–

Notes:

(i) The amounts due from associates (except for HK$7,601,000 (31 December 2012: HK$10,860,000), due from 2OK) are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

(ii) These investments do not have a quoted market price in an active market and whose fair value cannot be realiably measured. They are recognised at cost less impairment losses.

18. Capital and Other Commitments

Capital and other commitments outstanding at 30 June 2013 not provided for in these condensed interim financial statements are as follows:

	At 30 June 2013 (unaudited) HK$'000	At 31 December 2012 (audited) HK$'000
Contracted for	**901,219**	871,648
Authorised but not contracted for	**151,266**	131,418
	1,052,485	1,003,066

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

19. Contingent Liabilities

Financial guarantees issued

At 30 June 2013, the Company has issued the following guarantees:

(a) guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries; and

(b) guarantees to banks in respective of banking facilities granted to its wholly-owned subsidiaries.

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

At the 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$1,257,000 (31 December 2012: HK$1,115,000).

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.

20. Material Related Party and Connected Transactions

(a) Other material related party and connected transactions

(i) 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 2013, an amount of HK$18,000,000 (31 December 2012: 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 2013, an amount of HK$7,913,000 (31 December 2012: HK$7,957,000) remained unpaid and was included in trade and other receivables.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

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

(a) Other material related party and connected transactions *(continued)*

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 30 June 2013. During the period, the Group received management and administrative fees in the total of HK$120,000 (2012: HK$200,000) 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$82,000 (2012: HK$134,000) from 2OK. At 30 June 2013, the amount advanced by the Group totalling HK$7,601,000 (31 December 2012: HK$10,860,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

(iii) In December 2002, the Group appointed 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$768,000 (2012: HK$700,000) was charged to the Group for the period. At 30 June 2013, an amount of HK$1,547,000 (31 December 2012: HK$779,000) remained unpaid and was included in trade and other payables.

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

(iv) In May 2006, the Group also appointed a wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong (the "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 2013, there was no change in cost estimates. At 30 June 2013, an amount of HK$2,294,000 (31 December 2012: HK$2,294,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

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

(a) Other material related party and connected transactions *(continued)*

(v) In July 2011, the Group as landlord and a wholly-owned subsidiary of HLD as tenant agreed to renew their tenancy agreement in respect of certain shops and spaces of MHP. 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 for a term of three years commencing 1 July 2011. 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$4,059,000 (2012: HK$4,239,000), being aggregate rental and fees receivable under the aforementioned lease and licence, was credited to the Group.

(vi) 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. At 30 June 2013, an amount of HK$1,104,000 (31 December 2012: HK$1,104,000) remained unpaid and was included in trade and other payables.

(vii) In March 2011, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") 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 (2012: HK$2,790,000) was charged to the Group for the period. At 30 June 2013, an amount of HK$13,122,000 (31 December 2012: HK$10,332,000) remained unpaid and was included in trade and other payables.

In January 2013, the Group revised the annual cap of the Fanling project management fee as set out in the Fanling Management Agreement of the respective years. The Group entered into the Supplemental Fanling Project Management Agreement with HLD Sub A and another wholly-owned subsidiary of HLD ("HLD Sub B"), pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the Fanling project management fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services was transferred and novated to HLD Sub B.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

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

(a) Other material related party and connected transactions *(continued)*

(viii) 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$109,433,000 (2012: HK$83,207,000), of which HK$10,753,000 (2012: 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 2013, an amount of HK$179,532,000 (31 December 2012: HK$175,543,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

(ix) In March 2011, the Group appointed HLD Sub A as the project manager for the development of 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$744,000 (2012: HK$1,184,000) was charged to the Group for the period. At 30 June 2013, an amount of HK$4,027,000 (31 December 2012: HK$3,283,000) remained unpaid and was included in trade and other payables.

In January 2013, the Group revised the annual cap of the TCS project management fee as set out in the TCS Project Management Agreement of the respective years. The Group entered into the Supplemental TCS Project Management Agreement with HLD Sub A and another wholly-owned subsidiary of HLD ("HLD Sub C"), pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the TCS project management fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services was transferred and novated to HLD Sub C.

(x) 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 2013.

In January 2013, the Group revised the annual cap of the TCS Prime Cost Contract as set out in the TCS Prime Cost Contract of the respective years. The Group entered into the Supplemental TCS Prime Cost Contract with the another wholly-owned subsidiary of HLD to revise the maximum annual aggregate amounts of the TCS Prime Costs.

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

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

(a) Other material related party and connected transactions *(continued)*

(xi) In February 2012, the Group appointed a wholly-owned subsidiary of HLD as the contractor for carrying out the substructure works of TCS Property. In January 2013, the Group revised the annual cap of the substructure works of the respective years. The annual ceiling for the year ending 31 December 2012 and 31 December 2013 were HK$11,000,000 and HK$19,000,000 respectively. A total fee of HK$15,553,000 (2012: HK$Nil) was charged to the Group for the period. At 30 June 2013, an amount of HK$15,553,000 (31 December 2012: HK$10,405,000) remained unpaid and was included in trade and other payables.

(xii) In March 2012, the Group entered into a letter agreement with a wholly-owned subsidiary of HLD and appointed the wholly-owned subsidiary of HLD as the agent of the Group to lease certain shops and spaces of Miramar Shopping Centre ("the Premises") for marketing of the Fanling Property 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$4,113,000 (2012: HK$2,855,000) was charged to the Group for the period. At 30 June 2013, an amount of HK$6,674,000 (31 December 2012: HK$7,020,000) remained unpaid and was included in trade and other payables.

In August 2013, the Group entered into a new letter agreement with another wholly-owned subsidiary of HLD and appointed that wholly-owned subsidiary of HLD as the agent of the Group to lease the Premises for marketing of the Fanling Property from 16 June 2013 to 15 October 2013, subject to the ceiling of HK$4,300,000 for the period ended 15 October 2013.

(xiii) At 30 June 2013, 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.

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

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

Notes to the Unaudited Condensed Interim Financial Statements (Continued)

21. Non-Adjusting Events after the Reporting Period

After the balance sheet date, the directors declared an interim dividend. Further details are disclosed in note 7(a).

22. Comparative Figures

As a result of the application of Revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to current period's presentation. Further details of this development are disclosed in note 2.

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 11 to 39 which comprises the consolidated balance sheet of Hong Kong Ferry (Holdings) Company Limited as of 30 June 2013 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 condensed 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 condensed 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 condensed 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 2013 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 2013

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