HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00050)

2008 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2008 – unaudited

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

CONSOLIDATED BALANCE SHEET
As at 30 June 2008

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issuance on 12 September 2008.

2. SEGMENTAL REPORTING

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

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

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

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

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

(a) Segmental Revenue

	Total revenue Six months ended 30 June		**Elimination of inter-segment revenue Six months ended 30 June**		**Revenue from external customers Six months ended 30 June**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment	**112,824**	124,628	**–**	–	**112,824**	124,628
Ferry, shipyard and related operations	**115,655**	84,469	**947**	1,082	**114,708**	83,387
Travel and hotel operations	**82,272**	86,621	**74**	163	**82,198**	86,458
Securities investment	**9,099**	25,623	**–**	–	**9,099**	25,623
Others	**25,471**	36,366	**19,442**	19,073	**6,029**	17,293
	345,321	357,707	**20,463**	20,318	**324,858**	337,389
Analysed by:						
Turnover					**301,820**	317,388
Other revenue					**23,038**	20,001
					324,858	337,389

2. SEGMENTAL REPORTING *(Continued)*

(b) Segmental Result

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

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

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

3. OTHER NET (LOSS)/INCOME

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

4. (LOSS)/PROFIT BEFORE TAXATION

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

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

5. TAXATION

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

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

6. DIVIDENDS

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

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

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

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

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

7. BASIC (LOSS)/EARNINGS PER SHARE

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

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

8. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

9. TRADE AND OTHER PAYABLES

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

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

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

INTERIM RESULTS AND DIVIDEND

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Property Development and Investment Operations

8 Fuk Lee Street ("Metro Harbour View")

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

51 Tong Mi Road ("MetroRegalia")

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

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

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

6 Cho Yuen Street, Yau Tong

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

Ferry, Shipyard and Related Operations

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

Travel and Hotel Operations

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

PROSPECTS

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

FINANCIAL REVIEW

Review of Results

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

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

Gearing Ratio and Financial Management

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

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

Employees

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

OTHER INFORMATION

Closure of Register of Members

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

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

Purchase, Sale or Redemption of Securities

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

Arrangement to Purchase Shares, Warrants, Options or Debentures

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

Corporate Governance

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all directors had complied with the required standard as set out in the Model Code during the six months ended 30 June 2008.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees, (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) in respect of their dealings in the securities of the Company in compliance with the code provision A.5.4 of the CG Code.

Audit Committee

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

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

Remuneration Committee

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

Publication of Interim Results and Interim Report

This interim results announcement is published on HKExnews at www.hkexnews.hk and on the website of the Company at www.hkf.com. The 2008 interim report of the Company will be dispatched to the shareholders of the Company and will be available on both websites in due course.

On behalf of the Board
Colin Lam Ko Yin
Chairman

Hong Kong, 12 September 2008

As at the date of this announcement, the executive directors of the Company are Mr. Lam Ko Yin, Colin (Chairman) and Mr. Li Ning, the non-executive directors are Mr. Au Siu Kee, Alexander, Mr. Lau Yum Chuen, Eddie, Dr. Lee Shau Kee, Mr. Leung Hay Man and Mr. Wong Man Kong, Peter and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.