HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00050)

2010 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2010 – unaudited

		Six months ended 30 June	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Turnover	*3(a)*	**576,436**	1,072,294
Cost of sales		**(329,831)**	(594,653)
		246,605	477,641
Other revenue	*3(a)*	**11,813**	12,855
Other net income	*4*	**45,580**	261,726
Valuation gains/(losses) on investment properties and investment property held for development	*3(d)*	**44,374**	(47,324)
Selling and marketing expenses		**(29,402)**	(47,650)
Administrative expenses		**(21,801)**	(20,218)
Other operating expenses		**(22,809)**	(18,782)
Profit from operations	*3(b)*	**274,360**	618,248
Finance cost	*5(a)*	**–**	(1,505)
Share of profits of associates		**231**	293
Profit before taxation	*5*	**274,591**	617,036
Taxation	*6*	**(39,394)**	(21,651)
Profit attributable to equity shareholders of the Company		**235,197**	595,385
Earnings per share *(cents)*			
– Basic and diluted	*9*	**66.0**	167.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 – unaudited

		Six months ended 30 June	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Profit attributable to equity shareholders of the Company		**235,197**	595,385
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale equity securities: net movement in the securities revaluation reserve	*8*	**(124,392)**	50,081
Realisation of inter-company profits		**(12)**	(12)
Other comprehensive income		**(124,404)**	50,069
Total comprehensive income attributable to equity shareholders of the Company		**110,793**	645,454

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

		At 30 June 2010 (unaudited)		At 31 December 2009 (audited)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
– Investment properties			**858,050**		837,900
– Investment property held for development			**94,000**		89,000
– Other property, plant and equipment			**123,516**		127,660
– Interest in leasehold land			**51,052**		51,741
			1,126,618		1,106,301
Interest in associates			**55,919**		80,127
Available-for-sale equity securities			**456,530**		542,470
Employee benefits assets			**10,964**		10,841
Deferred tax assets			**15,664**		28,241
			1,665,695		1,767,980
Current assets					
Tax recoverable		**2,154**		2,154	
Derivative financial instruments		**73,034**		300,433	
Inventories		**1,866,079**		570,475	
Trade and other receivables	*10*	**319,115**		501,725	
Cash and cash equivalents		**531,280**		1,321,676	
		2,791,662		2,696,463	
Current liabilities					
Bank loan and overdrafts		**–**		238	
Trade and other payables	*11*	**261,706**		313,533	
Tax payable		**65,695**		46,990	
		327,401		360,761	
Net current assets			**2,464,261**		2,335,702
Total assets less current liabilities			**4,129,956**		4,103,682
Non-current liabilities					
Deferred tax liabilities			**(35,640)**		(27,528)
NET ASSETS			**4,094,316**		4,076,154
CAPITAL AND RESERVES					
Share capital			**356,274**		356,274
Reserves			**3,738,042**		3,719,880
TOTAL EQUITY			**4,094,316**		4,076,154

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 August 2010.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised Hong Kong Financial Reporting Standards ("HKFRSs"), a number of amendments to HKFRSs and one new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, *Improvements to HKFRSs (2009)* are relevant to the Group's financial statements:

The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of certain Group's leasehold land interests located in the Hong Kong Special Administrative Region, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that these leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

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.

To consistent the information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group is currently organised into five main 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: equity 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

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

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

The segment information for the six months ended 30 June 2010 and 2009 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**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**388,792**	901,062	**–**	–	**388,792**	901,062
Property investment	**24,485**	20,479	**29**	15	**24,456**	20,464
Ferry, shipyard and related operations	**76,458**	82,874	**1,242**	909	**75,216**	81,965
Travel and hotel operations	**86,960**	73,874	**45**	67	**86,915**	73,807
Securities investment	**5,739**	5,233	**–**	–	**5,739**	5,233
Others	**27,911**	22,572	**20,780**	19,954	**7,131**	2,618
	610,345	1,106,094	**22,096**	20,945	**588,249**	1,085,149
Analysed by:						
Turnover					**576,436**	1,072,294
Other revenue					**11,813**	12,855
					588,249	1,085,149

(b) Segment Result

	Reportable segment profit/(loss) Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Property development	**164,282**	394,738
Property investment *(Note d)*	**80,396**	(38,347)
Ferry, shipyard and related operations	**6,621**	1,520
Travel and hotel operations	**(70)**	(1,905)
Securities investment	**28,872**	240,706
Others *(Note e)*	**(5,741)**	21,536
	274,360	618,248

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Reportable segment profit derived from external customers	**274,360**	618,248
Finance cost	**–**	(1,505)
Share of profits of associates	**231**	293
Consolidated profit before taxation	**274,591**	617,036

(d) The segment result of the property investment included valuation gains on investment properties and investment property held for development of HK$44,374,000 (2009: losses of HK$47,324,000).

(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	
	2010	2009
	HK$'000	*HK$'000*
Forfeited deposits	**–**	1,334
Income from sale of spare parts	**150**	221
Net exchange (losses)/gains	**(9,531)**	21,939
Net profit on disposal of investment properties	**29,061**	1,330
Net gains/(losses) on disposal of other property, plant and equipment	**85**	(10)
Net realized and unrealized (losses)/gains on derivative financial instruments	**(18,429)**	201,038
Net profit on sale of available-for-sale equity securities	**42,194**	34,369
Sundry income	**2,050**	1,505
	45,580	261,726

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
(a) Finance cost		
Interest on bank loan wholly repayable within five years	**–**	1,505
(b) Other items		
Amortisation of leasehold land premium	**689**	690
Cost of inventories	**224,693**	493,786
Depreciation	**5,435**	4,508
Dividend income	**(5,258)**	(4,544)
Interest income	**(9,167)**	(4,907)

6. TAXATION

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax	**18,705**	3,688
Deferred taxation	**20,689**	17,963
	39,394	21,651

The provision for Hong Kong profits tax is calculated by applying the estimated annual effective tax rate of 16.5% (2009: 16.5%) to the six months ended 30 June 2010 less relief for available tax losses where applicable.

7. DIVIDENDS

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Interim dividend declared after the interim period end of HK10 cents (2009: HK10 cents) per share	**35,627**	35,627

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

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK26 cents (2009: HK26 cents) per share	**92,631**	92,631

8. OTHER COMPREHENSIVE INCOME

Available-for-sale equity securities

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Changes in fair value recognised during the period	**(81,896)**	84,817
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**(42,496)**	(34,736)
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	**(124,392)**	50,081

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$235,197,000 (2009: HK$595,385,000) and 356,273,883 (2009: 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, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Trade receivables	**226,479**	457,740
Less: Allowance for doubtful debts	**(31)**	(542)
	226,448	457,198
Other receivables and prepayments	**92,667**	44,527
	319,115	501,725

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

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Current	**215,207**	447,928
1 to 3 months overdue	**6,308**	5,969
More than 3 months overdue but less than 12 months overdue	**2,150**	2,993
More than 12 months overdue	**2,783**	308
	226,448	457,198

All of the trade and other receivables at 30 June 2010 except instalment receivables of HK$100,874,000 (31 December 2009: HK$98,232,000) 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.

11. TRADE AND OTHER PAYABLES

All of the trade and other payables at 30 June 2010 are expected to be settled within one year.

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

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Due within 1 month or on demand	**182,421**	235,949
Due after 1 month but within 3 months	**400**	4
Due after 12 months	**–**	231
	182,821	236,184

INTERIM RESULTS AND DIVIDEND

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2010 amounted to HK$235.2 million and the earnings per share were HK66 cents. A profit of HK$595.4 million was recorded in the corresponding period in 2009 and the earnings per share last year were HK167.1 cents.

The Board has resolved to pay an interim dividend of HK10 cents (2009: HK10 cents) per share in respect of the financial year ending 31 December 2010. The interim dividend will be paid on or about Thursday, 30 September 2010 to shareholders whose names appear on the register of members at the close of business on Friday, 17 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the major source of profits for the Group was mainly derived from the sale of residential units of Shining Heights and The Spectacle, gains from the investments in listed securities and surplus from revaluation of properties. The sale of residential units of Shining Heights and The Spectacle during the period recorded a total profit of HK$160 million. After deducting the net unrealized losses of the equity-linked-note investments ("ELNs"), a net realized gain of HK$22.5 million was made from the sale of the securities and ELNs.

Property Development and Investment Operations

As at 30 June 2010, the Group had sold more than 90% of the units of Shining Heights and over 60% of the units of The Spectacle. The occupancy rate of the commercial arcade of Shining Heights at the end of June was 66%.

At the end of June 2010, the occupancy rate of the mall of Metro Harbour Plaza was 95%. The commercial arcade of MetroRegalia has been fully let. Rental and related income from the mall of Metro Harbour Plaza and MetroRegalia amounted to HK$16.1 million during the period.

The Group acquired the site known as Fanling Sheung Shui Town Lot No. 177, located at the junction of Ma Sik Road and Sha Tau Kok Road (Lung Yeuk Tau Section) Area 19, Fanling, New Territories for a land premium of HK$1,330 million at a public land auction held by the Government of Hong Kong Special Administrative Region on 24 May 2010. The preliminary development plan for this site, of area of approximately 95,800 sq ft. is for residential-cum-commercial purposes, consisting of over 700 condominiums with average size of around 700 square feet. The units are mainly 2-bedroom units. The development will comprise 3 residential towers and a 2-storey commercial podium with a total gross floor area of approximately 550,000 square feet and is anticipated to be completed by phases in four years.

The Group acquired 52-56 Kwun Chung Street last year which was currently used for leasing purpose. The Group also acquired the great majority of the ownership of 204-214 Tung Chau Street at the end of last year. If the Group succeeds to acquire the entire ownership, the Tung Chau Street properties will be developed into a commercial/residential complex.

Ferry, Shipyard and Related Operations

The Ferry, Shipyard and Related Operations achieved a profit of HK$6.6 million, compared with HK$1.5 million profit in the same period last year, of which both Harbour Cruise and the Shipyard Operations recorded a turnaround from deficit to profit with the implementation of the marketing plans and achieved a total profit of HK$2.02 million during the period.

Travel and Hotel Operations

After adopting new strategic plans, the turnover of both the Travel and Hotel Operations recorded an increase of approximately 18% and 20% respectively. Operational deficit of the two operations was reduced from HK$1.9 million to approximately HK$100,000 in the same period this year.

Prospects

In the first half of 2010, the local economy continued to improve. With the influx of wealthy Chinese and foreign investors, the local property market price has shown and will show sustained appreciation in price, especially at the luxurious end. Following the expansion of the Renminbi trade settlement scheme, Mainland China has reinforced Hong Kong to develop Renminbi offshore business which will promote the Renminbi business platform into new horizon and strengthen the importance of Hong Kong as an international finance centre.

The Group would actively develop the newly acquired development site and will continue to explore investment opportunities in the real estate and stock market in the future.

Financial Review

Review of Results

During the six-month period ended 30 June 2010, the Group's turnover amounted to HK$576 million, representing a decrease of 46.2% 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 the Group's development properties.

The consolidated net profit after taxation of the Group for the six-month period ended 30 June 2010 was HK$235.2 million, representing a decrease of 60.5% as compared with a profit of HK$595.4 million for the same period last year. The reason for the decrease is already mentioned in the Management Discussion and Analysis section of this announcement.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, shareholders' funds amounted to HK$4,094 million, an increase of 0.4% as compared with the corresponding figure as at 31 December 2009. The slight increase was mainly due to the net effects of income from the sale of the residential units of the Group's development properties, changes in fair value of available-for-sale equity securities, the realized gain and unrealized loss in ELNs and the payment of dividends.

There was no change to the capital structure of the Group during the period. As at 30 June 2010, 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$24.4 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2010, current assets of the Group stood at HK$2,792 million and current liabilities was HK$327 million. Current ratio of the Group increased from 7.5 as at 31 December 2009 to 8.5 as at 30 June 2010, mainly due to the sale proceeds from the sale of properties.

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

Employees

As at 30 June 2010, the Group employed about 360 staff. The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and education subsidies.

OTHER INFORMATION

Closure of Register of Members

The register of members will be closed from Wednesday, 15 September 2010 to Friday, 17 September 2010, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 14 September 2010.

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

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

Arrangement to Purchase Shares, Warrants, Options or Debentures

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

Corporate Governance

The Company is committed to maintain high standards of corporate governance. In the opinion of the Board of Directors (the "Board"), the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2010.

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 2010.

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

Audit Committee

The Audit Committee has met in August 2010 and reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters including the review of the unaudited interim report for the six months ended 30 June 2010 with the management.

In addition, the Group's external auditor, KPMG, have also performed a review of the interim financial statements for the six months ended 30 June 2010. Based on their review, nothing has come to their attention that causes them to believe that the interim financial statements as at 30 June 2010 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 2010. 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 2010 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, 25 August 2010

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.