HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00050)

2011 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June **2011** HK$'000	2010 (Restated) HK$'000
Turnover	3(a)	**366,889**	576,436
Cost of sales		**(187,773)**	(329,831)
		179,116	246,605
Other revenue	3(a)	**12,184**	11,813
Other net income	4	**18,788**	45,580
Valuation gains on investment properties and investment property held for development	3(d)	**77,888**	44,374
Selling and marketing expenses		**(12,677)**	(29,402)
Administrative expenses		**(21,983)**	(21,801)
Other operating expenses		**(21,587)**	(22,809)
Profit from operations	3(b)	**231,729**	274,360
Share of profits less losses of associates		**378**	231
Profit before taxation	5	**232,107**	274,591
Taxation	6	**(18,989)**	(31,441)
Profit attributable to equity shareholders of the Company		**213,118**	243,150
Earnings per share (*cents*) – Basic and diluted	9	**59.8**	68.2

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 – unaudited

		Six months ended 30 June	
		2011	2010
			(Restated)
	Note	***HK$'000***	*HK$'000*
Profit attributable to equity shareholders of the Company		**213,118**	243,150
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement in the securities revaluation reserve	*8*	**(17,960)**	(124,392)
Realisation of inter-company profits		**(12)**	(12)
		(17,972)	(124,404)
Total comprehensive income attributable to equity shareholders of the Company		**195,146**	118,746

CONSOLIDATED BALANCE SHEET

At 30 June 2011

	Note	At 30 June 2011 (unaudited) HK$'000	HK$'000	At 31 December 2010 (audited) HK$'000	HK$'000
Non-current assets					
Fixed assets					
– Investment properties			**984,650**		914,650
– Investment property held for development			**105,000**		99,000
– Other property, plant and equipment			**82,750**		120,003
– Interests in leasehold land			**49,300**		50,361
			1,221,700		1,184,014
Interest in associates			**29,850**		40,092
Available-for-sale securities			**647,290**		593,762
Employee benefits assets			**11,138**		11,087
Deferred tax assets			**5,768**		8,134
			1,915,746		1,837,089
Current assets					
Derivative financial instruments		**–**		55,732	
Inventories		**1,762,326**		1,784,682	
Trade and other receivables	*10*	**206,969**		215,047	
Cash and cash equivalents		**851,434**		753,670	
Tax recoverable		**7,267**		7,087	
		2,827,996		2,816,218	
Non-current assets classified as held for sale		**33,637**		–	
		2,861,633		2,816,218	
Current liabilities					
Bank overdraft		**–**		326	
Trade and other payables	*11*	**202,664**		186,807	
Tax payable		**39,805**		39,343	
		242,469		226,476	
Net current assets			**2,619,164**		2,589,742
Total assets less current liabilities			**4,534,910**		4,426,831
Non-current liabilities					
Deferred tax liabilities			**7,007**		1,443
NET ASSETS			**4,527,903**		4,425,388
CAPITAL AND RESERVES					
Share capital			**356,274**		356,274
Reserves			**4,171,629**		4,069,114
TOTAL EQUITY			**4,527,903**		4,425,388

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. CHANGES IN ACCOUNTING POLICIES

(a) Changes in accounting policies as a result of the developments in Hong Kong Financial Reporting Standards ("HKFRSs")

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

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of the condensed interim financial statements.

(b) Early adoption of the amendments to HKAS 12, *Income taxes*

During the year ended 31 December 2010, the Group has early adopted the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties in Hong Kong with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Early adoption of the amendments to HKAS 12, *Income taxes* *(Continued)*

This change in policy has resulted in a reduction in the amount of deferred tax provided on valuation gains in respect of certain investment properties of the Group. The effects in respect of the period ended 30 June 2010 are shown as follows:

	As previously reported	Effect of adoption of amendments to HKAS 12	As restated
	HK$'000	*HK$'000*	*HK$'000*
Consolidated profit or loss account for the six months ended 30 June 2010 (unaudited):			
Taxation	(39,394)	7,953	(31,441)
Profit for the period	235,197	7,953	243,150
Basic and diluted earnings per share (cents)	66.0	2.2	68.2

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 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: 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.

3. SEGMENT REPORTING *(Continued)*

Segment results

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

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

The segment information for the six months ended 30 June 2011 and 2010 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**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**189,421**	388,792	**–**	–	**189,421**	388,792
Property investment	**27,665**	24,485	**30**	29	**27,635**	24,456
Ferry, shipyard and related operations	**58,749**	76,458	**1,304**	1,242	**57,445**	75,216
Travel and hotel operations	**82,352**	86,960	**44**	45	**82,308**	86,915
Securities investment	**10,850**	5,739	**–**	–	**10,850**	5,739
Others	**33,109**	27,911	**21,695**	20,780	**11,414**	7,131
	402,146	610,345	**23,073**	22,096	**379,073**	588,249
Analysed by:						
Turnover					**366,889**	576,436
Other revenue					**12,184**	11,813
					379,073	588,249

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

3. **SEGMENT REPORTING** *(Continued)*

(b) Segment results

	Reportable segment profit	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Property development	**101,058**	164,282
Property investment (*note d*)	**90,808**	80,396
Ferry, shipyard and related operations	**3,685**	6,621
Travel and hotel operations	**(495)**	(70)
Securities investment	**10,814**	28,872
Others (*note e*)	**25,859**	(5,741)
	231,729	274,360

(c) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Reportable segment profit derived from external customers	**231,729**	274,360
Share of profits less losses of associates	**378**	231
Consolidated profit before taxation	**232,107**	274,591

(d) The segment result of "Property investment" included valuation gains on investment properties and investment property held for development of HK$77,888,000 (2010: HK$44,374,000).

(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	
	2011	2010
	HK$'000	*HK$'000*
Net exchange gains/(losses)	**16,516**	(9,531)
Income from sale of spare parts	**554**	150
Forfeited deposits	**450**	–
Net realised and unrealised gains/(losses) on derivative financial instruments	**216**	(18,429)
Net profit on sale of available-for-sale securities	**–**	42,194
Net profit on disposal of investment properties	**–**	29,061
Net profit on disposal of other property, plant and equipment	**–**	85
Sundry income	**1,052**	2,050
	18,788	45,580

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Amortisation of leasehold land premium	**689**	689
Cost of inventories	**85,583**	224,693
Depreciation	**4,829**	5,435
Dividend income	**(10,848)**	(5,258)
Interest income	**(12,302)**	(9,167)

6. TAXATION

	Six months ended 30 June	
	2011	2010
		(Restated)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**11,059**	18,705
Deferred tax		
Origination and reversal of temporary differences	**7,930**	12,736
	18,989	31,441

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period.

7. DIVIDENDS

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interim dividend declared after the interim period end of HK10 cents (2010: HK10 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) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK26 cents (2010: HK26 cents) per ordinary share	**92,631**	92,631

8. OTHER COMPREHENSIVE INCOME

Reclassification adjustments relating to components of other comprehensive income

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Available-for-sale securities:		
Changes in fair value recognised during the period	**(17,960)**	(81,896)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**–**	(42,496)
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	**(17,960)**	(124,392)

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$213,118,000 (2010 (restated): HK$243,150,000) and 356,273,883 (2010: 356,273,883) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2011 and 2010, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 (unaudited) *HK$'000*	At 31 December 2010 (audited) *HK$'000*
Trade receivables	**136,850**	164,186
Less: Allowance for doubtful debts	**(114)**	(31)
	136,736	164,155
Other receivables and prepayments	**70,233**	50,892
	206,969	215,047

All of the trade and other receivables at 30 June 2011 except instalment receivables of HK$78,110,000 (31 December 2010: HK$96,420,000) are expected to be recovered within one year.

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

	At 30 June 2011 (unaudited) *HK$'000*	At 31 December 2010 (audited) *HK$'000*
Current	**126,350**	154,077
1 to 3 months overdue	**6,797**	6,731
More than 3 months overdue but less than 12 months overdue	**2,823**	3,022
More than 12 months overdue	**766**	325
	136,736	164,155

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

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

	At 30 June 2011 (unaudited)	At 31 December 2010 (audited)
	HK$'000	*HK$'000*
Due within 1 month or on demand	**70,107**	109,496
Due after 1 month but within 3 months	**193**	83
	70,300	109,579

INTERIM RESULTS AND DIVIDEND

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2011 amounted to HK$213.1 million and the earnings per share were HK60 cents. A profit of HK$243.2 million (restated) was recorded in the corresponding period in 2010 and the earnings per share last year were HK68 cents (restated).

The Board has resolved to pay an interim dividend of HK10 cents (2010: HK10 cents) per share in respect of the financial year ending 31 December 2011. The interim dividend will be paid on or about Thursday, 29 September 2011 to shareholders whose names appear on the register of members at the close of business on Friday, 16 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, profits for the Group were mainly derived from the sale of residential units of Shining Heights and The Spectacle 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$101.5 million. The revaluation gain from the investment properties of the Group amounted to HK$77.9 million.

Property Development and Investment Operations

As at 30 June 2011, the Group had sold a total of 27 units of Shining Heights and The Spectacle. The occupancy rate of the commercial arcade of Shining Heights at the end of June was about 86%.

At the end of June 2011, the occupancy rate of the commercial arcade of Metro Harbour Plaza was 99%. Rental and related income from the mall of Metro Harbour Plaza amounted to HK$18.2 million during the period.

During the period under review, the foundation work of the site at Fanling Sheung Shui Town Lot No.177 was carried out and completed this month. Superstructure work would soon commence for the development of a three residential towers consisting of over 700 units with average floor area of 700 sq.ft. Together with the two-storey shopping mall, there is a total gross floor area of approximately 540,000 sq.ft.

The demolition work of the property at 208 Tung Chau Street (formally 204–214 Tung Chau Street) would also commence soon and the foundation work was expected to commence by the end of 2011. The property will be re-developed into a commercial/residential building with a total gross floor area of approximately 54,000 sq.ft.

In late June 2011, the Group also successfully acquired from the government a tender site of area of approximately 6,300 sq.ft. at the junction of Gillies Avenue South and Bulkeley Street for a consideration of HK$406,300,000. It was planned to be developed into a residential-cum-commercial building comprising approximately 95 residential units with the total gross floor area of approximately 56,000 sq.ft. The general building plan was submitted to the Buildings Department in July 2011.

The Group received a rental income amounting to HK$0.87 million from the investment property at 52–56 Kwun Chung Street during the period.

Ferry, Shipyard and Related Operations

The Ferry, Shipyard and Related Operations recorded a profit of HK$3.7 million, compared with a profit of HK$6.6 million in the same period last year. Both shipyard operations and fuel oil trading achieved improvement in operating results. The operating results of vehicular ferry operation declined due to the increase in the price of fuel oil.

Travel and Hotel Operations

Pursuant to the tender agreement, the sale of Silvermine Beach Hotel was to be completed on 8 September 2011. A surplus of approximately HK$240 million would be recorded after the sale of the Hotel was completed.

A deficit of HK$1.4 million was incurred from the Hotel operations after taking into account the provision for severance payment. The operating profit of the Travel operations decreased from HK$1.3 million in the same period last year to HK$0.9 million this year.

Prospects

Global stock markets declined and gold bullion soared in early August amidst the downgrading of the US sovereignty credit rating from AAA to AA+ and concerns over the possibility of default in sovereignty debts by a few EU countries. Economic outlook turns rather uncertain. Fearing a double dip in recession, investors will look for safe haven and are less willing to take investment risks.

Despite the uncertainties, the Hong Kong economy is still relatively sound. Vice-Premier Li Keqiang of State Council visited Hong Kong in mid-August and announced various measures beneficial to Hong Kong, including introducing Mainland and Hong Kong stock market ETF, allowing mainland enterprises to issue RMB bonds in Hong Kong and enhancing more CEPA arrangements such as medical services. With the introduction of a series of broadening cross-border trade and finance cooperative policies by the central government, it will accelerate the strengthening of Hong Kong as an offshore renminbi centre and further consolidate its position as an international financial and asset management centre.

The US Federal Reserve announced in August that it will keep interest rates low for two years until 2013. Though the loan-to-deposit ratio of banks in Hong Kong is getting tighter, the rise of interest rate of Hong Kong dollar will be limited due to the exchange rate peg thus assisting Hong Kong in sailing through the economic gloom.

For the second half of the year, the Group's major operating income will arise from rental income. As stated above, the profit of the Silvermine Beach Hotel will be recognized after the completion of the sale and purchase.

Financial Review

Review of Results

During the six-month period ended 30 June 2011, the Group's turnover amounted to HK$367 million, representing a decrease of 36% as compared with that recorded in the same period last year. This was mainly attributable to the decrease in the sale of the residential units of Shining Heights and The Spectacle.

The consolidated net profit after taxation of the Group for the six-month period ended 30 June 2011 was HK$213.1 million, representing a decrease of 12% as compared with a profit of HK$243.2 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 announcement.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, shareholders' funds amounted to HK$4,528 million, representing a slight increase of 2% as compared with the corresponding figure as at 31 December 2010. The increase arose from the profits for the period under review net of dividends paid.

There was no change to the capital structure of the Group during the period. As at 30 June 2011, 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$10.6 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2011, current assets of the Group stood at HK$2,862 million and current liabilities was HK$242 million. Current ratio of the Group decreased from 12.4 as at 31 December 2010 to 11.8 as at 30 June 2011, 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 and United States dollar. Certain 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 2011, the Group employed about 340 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, 14 September 2011 to Friday, 16 September 2011, 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 Wednesday, 14 September 2011.

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 2011.

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 2011.

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 2011 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 2011 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 2011. 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 2011 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 2011. 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 2011 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, 22 August 2011

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.