HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 50)

2013 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'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

CONSOLIDATED BALANCE SHEET

At 30 June 2013

		At 30 June 2013 (unaudited)		At 31 December 2012 (audited)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
					Restated
Non-current assets					
Fixed assets					
– Investment properties			**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			**19,285**		22,046
Available-for-sale securities			**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		**2,577,925**		2,443,439	
Trade and other receivables	*10*	**1,943,573**		203,096	
Cash and bank balances		**739,183**		837,030	
Tax recoverable		**30,995**		30,677	
		5,291,676		3,514,242	
Current liabilities					
Trade and other payables	*11*	**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

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, 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

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("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 the 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.

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 the condensed interim financial statements as a result of adopting HKFRS 12.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

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 the notes to the condensed financial statements. 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.

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.

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.

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	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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.

(b) *Segment result*

	Reportable segment profit Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'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

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

Segment results *(Continued)*

(c) ***Reconciliation of reportable segment profit***

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'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.

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)

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.

(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.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 (unaudited)	At 31 December 2012 (audited)
	HK$'000	*HK$'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.

10. TRADE AND OTHER RECEIVABLES *(Continued)*

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.

11. 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

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 Habour 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 announcement.

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.

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.

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 2013 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
Lam Ko Yin, Colin
Chairman

Hong Kong, 20 August 2013

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 and Mr. Wong Man Kong, Peter and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.