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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 50)

2014 INTERIM RESULTS ANNOUNCEMENT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2014 – unaudited

		Six months ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Turnover	*3(a)*	**3,308,641**	245,285
Cost of sales		**(2,089,453)**	(115,401)
		1,219,188	129,884
Other revenue	*3(a)*	**23,712**	20,341
Other net income	*4*	**1,069**	38,175
Valuation gains on investment properties	*3(d)*	**135,736**	47,400
Impairment loss on available-for-sale securities		**(6,791)**	(25,134)
Selling and marketing expenses		**(98,510)**	(21,935)
Administrative expenses		**(20,363)**	(20,958)
Other operating expenses		**(24,541)**	(20,757)
Profit from operations	*3(b)*	**1,229,500**	147,016
Share of profits less losses of associates		**246**	448
Profit before taxation	*5*	**1,229,746**	147,464
Taxation	*6*	**(181,756)**	(16,922)
Profit attributable to equity shareholders of the Company		**1,047,990**	130,542
Earnings per share *(HK$)* – Basic and diluted	*9*	**$2.94**	$0.37

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 2014 – unaudited

		Six months ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Profit attributable to equity shareholders of the Company		**1,047,990**	130,542
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 securities revaluation reserve	*8*	**(2,484)**	(115,486)
Total comprehensive income attributable to equity shareholders of the Company		**1,045,506**	15,056

CONSOLIDATED BALANCE SHEET

At 30 June 2014

	Note	At 30 June 2014 (unaudited) HK$'000	At 30 June 2014 (unaudited) HK$'000	At 31 December 2013 (audited) HK$'000	At 31 December 2013 (audited) HK$'000
Non-current assets					
Fixed assets					
– Investment properties			**1,864,200**		1,251,900
– Other property, plant and equipment			**67,367**		69,692
– Interest in leasehold land			**45,191**		45,876
			1,976,758		1,367,468
Interest in associates			**13,813**		16,643
Available-for-sale securities			**391,468**		400,788
Employee benefits assets			**3,309**		4,107
Deferred tax assets			**4,057**		14,527
			2,389,405		1,803,533
Current assets					
Inventories		**1,011,074**		2,882,440	
Trade and other receivables	*10*	**1,433,897**		1,931,169	
Cash and bank balances		**2,186,334**		1,759,565	
Tax recoverable		**35,972**		36,557	
		4,667,277		6,609,731	
Current liabilities					
Trade and other payables	*11*	**693,679**		3,157,737	
Tax payable		**192,132**		40,281	
		885,811		3,198,018	
Net current assets			**3,781,466**		3,411,713
Total assets less current liabilities			**6,170,871**		5,215,246
Non-current liability					
Deferred tax liabilities			**30,843**		28,093
NET ASSETS			**6,140,028**		5,187,153
CAPITAL AND RESERVES					
Share capital: nominal value			**–**		356,274
Other statutory capital reserves			**–**		1,398,527
Share capital and other statutory capital reserves			**1,754,801**		1,754,801
Other reserves			**4,385,227**		3,432,352
TOTAL EQUITY			**6,140,028**		5,187,153

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 the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

– Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
– Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
– Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
– Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
– HK(IFRIC) 21, *Levies*

These developments have had no material impact on the Group's consolidated financial statements.

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.

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 2014 and 2013 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	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**3,163,785**	92,344	**–**	–	**3,163,785**	92,344
Property investment	**35,798**	33,659	**38**	35	**35,760**	33,624
Ferry, shipyard and related operations	**62,764**	62,503	**1,461**	978	**61,303**	61,525
Travel operation	**56,011**	61,128	**190**	138	**55,821**	60,990
Securities investment	**1,608**	11,127	**–**	–	**1,608**	11,127
Others	**44,058**	31,253	**29,982**	25,237	**14,076**	6,016
	3,364,024	292,014	**31,671**	26,388	**3,332,353**	265,626
Analysed by:						
Turnover					**3,308,641**	245,285
Other revenue					**23,712**	20,341
					3,332,353	265,626

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	
	2014	2013
	HK$'000	*HK$'000*
Property development	**1,067,239**	49,222
Property investment *(note 3(d))*	**154,310**	65,969
Ferry, shipyard and related operations	**4,227**	28,836
Travel operation	**(4,262)**	(1,767)
Securities investment	**(5,394)**	3,104
Others *(note 3(e))*	**13,380**	1,652
	1,229,500	147,016

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

Segment results *(Continued)*

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Reportable segment profit derived from external customers	**1,229,500**	147,016
Share of profits less losses of associates	**246**	448
Consolidated profit before taxation	**1,229,746**	147,464

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK$135,736,000 (2013: HK$47,400,000).

(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	
	2014	2013
	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	**658**	17,489
Net exchange losses	**(942)**	(1,633)
Income from sale of spare parts	**235**	189
Forfeited deposits	**–**	2,429
Sundry income	**1,118**	1,511
	1,069	38,175

5. **PROFIT BEFORE TAXATION**

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Amortisation of leasehold land premium	**685**	684
Cost of inventories	**2,004,321**	32,404
Depreciation	**3,001**	3,014
Dividend income from listed investments	**(1,608)**	(5,873)
Interest income	**(26,035)**	(13,429)

6. TAXATION

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**168,546**	14,641
Over-provision in respect of prior year	**(10)**	–
	168,536	14,641
Deferred tax		
Origination and reversal of temporary differences	**13,220**	2,281
	181,756	16,922

The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 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	
	2014	2013
	HK$'000	*HK$'000*
Interim dividend of HK10 cents (2013: HK10 cents) per ordinary share declared and paid after the interim period	**35,627**	35,627
Special dividend of HK90 cents (2013: Nil) per ordinary share declared with interim dividend and paid after the interim period	**320,647**	–
	356,274	35,627

The interim and special dividends have not been recognised as liabilities 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	
	2014	2013
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK26 cents (six months ended 30 June 2013: HK26 cents) per ordinary share	**92,631**	92,631

8. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Available-for-sale securities:		
Changes in fair value recognised during the period	**(9,275)**	(120,811)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**–**	(19,809)
– impairment losses	**6,791**	25,134
Net movement in the securities revaluation reserve during the period recognised in other comprehensive income	**(2,484)**	(115,486)

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$1,047,990,000 (six months ended 30 June 2013: HK$130,542,000) and 356,273,883 (2013: 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 2014 and 2013, therefore diluted earnings per share are the same as basic earnings per share for both periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 (unaudited)	At 31 December 2013 (audited)
	HK$'000	*HK$'000*
Trade receivables	**490,457**	206,099
Less: allowance for doubtful debts	**–**	–
	490,457	206,099
Cash held by stakeholders	**902,900**	1,585,008
Other receivables and prepayments	**40,540**	140,062
	1,433,897	1,931,169

All of the trade and other receivables at 30 June 2014 except for instalment receivables of HK$98,945,000 (31 December 2013: HK$131,358,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies at 30 June 2014 of HK$49,880,000 (31 December 2013: HK$60,902,000) which are unsecured, interest-free and have no fixed terms of repayment.

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 2014 (unaudited) ***HK$'000***	At 31 December 2013 (audited) *HK$'000*
Current	**465,106**	173,885
1 to 3 months overdue	**22,043**	20,825
More than 3 months but less than 12 months overdue	**2,142**	10,405
More than 12 months overdue	**1,166**	984
	490,457	206,099

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$7,486,000 (31 December 2013: HK$7,093,000) are expected to be settled or recognised as income within one year. Included in the trade and other payables are amounts due to related companies at 30 June 2014 of HK$591,228,000 (31 December 2013: HK$425,929,000) which are unsecured, interest-free and have no fixed terms of repayment.

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

	At 30 June 2014 (unaudited) ***HK$'000***	At 31 December 2013 (audited) *HK$'000*
Due within 1 month or on demand	**628,528**	441,231
Due after 1 month but within 3 months	**51**	997
Due after 3 months but within 12 months	**–**	–
More than 12 months	**1**	8
	628,580	442,236

INTERIM RESULTS AND DIVIDENDS

The unaudited consolidated net profit after taxation of the Group for the six months ended 30 June 2014 amounted to HK$1,048 million, representing an increase of 703% as compared with the figure for the first half year of 2013. Earnings per share amounted to HK$2.94 as compared with HK$0.37 over the corresponding period of 2013.

The Board has resolved to pay an interim dividend of HK10 cents (2013: HK10 cents) and a special dividend of HK90 cents per share in celebration of the 90th Anniversary of the Group in respect of the year ending 31 December 2014. The interim dividend and the special dividend will be paid on or about Friday, 26 September 2014 to shareholders whose names appear on the register of members at the close of business on Tuesday, 16 September 2014.

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 Green Code. The occupation permit of Green Code has been issued in June 2014 and the sale turnover of Green Code of HK$3,152 million had been included in the unaudited interim financial statements of the Group.

Property Development and Investment Operations

During the period, the profit from the sale of Green Code together with the rental and other income from all commercial arcades of the Group amounted to HK$1,094 million.

As at 30 June 2014, the Group had sold a total of 696 residential units of Green Code and the rental take up rate of its commercial arcade was 41%. Green Code project consists of three residential towers resting on a two-storey shopping podium mall. The total gross floor area is approximately 540,000 sq. ft.

The commercial arcade of Shining Heights was fully let. The occupancy rate of commercial arcades of Metro Harbour Plaza and The Spectacle were 98% and 60% respectively as at 30 June 2014.

The pre-sale of METRO6 (Hung Hom Inland Lot No.555) was launched in July 2014. The residential-cum-commercial building comprising 95 residential units, of which 60 units were marketed, offering various choices to purchasers. The response from purchasers was satisfactory and a total of 36 residential units had been sold.

As regards Tung Chau Street Project, the Company is still seeking clarification with the Lands Department on the meaning of the word “house” under the Government lease. Up to today, the Government has not yet notified the Company of a decision.

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK$4.2 million, a decrease of 85% as compared with the same period last year. One of the reasons of the decrease is the lack of one-off item such as profit from the sale of carriers in last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Travel Operation

The operating results of Travel Operation showed a deficit of HK$4.3 million this period as a result of severe market competition and political uncertainty of adjacent countries.

Securities Investment

As there was market adjustment at the end of the first half of the year, an impairment loss of HK$6.8 million was made against the Group's available-for-sale securities investment.

Prospects

Local retail businesses have been adversely affected by the slowdown in the Mainland economy and the reduction in the tourist spending on luxurious items in Hong Kong. Negative growth has been recorded in recent months on retail sale. The sluggishness is expected to continue in the second half of the year before the gradual relaxation in Government policies in the mainland triggers a recovery and has the effects felt.

The US economy has been improving steadily. The Federal Reserve Board, in its tapering exercise, stressed however that a rapid rise in interest rates is not imminent. The bond market responded with medium to long term interest rates easing rather than rising. Under the current low interest rate scenario, the property market in Hong Kong is expected to remain stable in the near term, with purchasers mainly buying for their dwelling use.

The sales proceeds from the residential units of Green Code will continue to be the major source of income of the Group this year. With the abundant cash reserves in hand, the Group will continue to explore investment opportunities for the benefit of the shareholders.

Financial Review

Review of Results

During the six months ended 30 June 2014, the Group's turnover amounted to HK$3,308.6 million, representing an increase of 1,249% as compared with that recorded in the same period last year. This was mainly attributable to the sales of the residential units of Green Code.

The consolidated net profit after taxation of the Group for the six months ended 30 June 2014 was HK$1,048 million, representing an increase of 703% as compared with a profit of HK$130.5 million for the same period last year. The reason for the increase is already mentioned in the section of Management Discussion and Analysis of this announcement.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2014, shareholders' funds amounted to HK$6,140 million, representing an increase of 18% as compared with the corresponding figure as at 31 December 2013. The increase was mainly due to the net effect of the proceeds realised from the sale of residential units of Green Code, the gains on revaluation of the Group's investment properties and the payment of dividends.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Liquidity, Financial Resources and Capital Structure *(Continued)*

There was no change to the capital structure of the Group during the period. As at 30 June 2014, 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$1.5 million was received from an associate, which provided mortgage loans to buyers of Metro Harbour View residential units.

As at 30 June 2014, current assets of the Group stood at HK$4,667 million and current liabilities was HK$886 million. Current ratio of the Group increased from 2.1 as at 31 December 2013 to 5.3 as at 30 June 2014, mainly due to the decrease in trade and other payables.

Gearing Ratio and Financial Management

As there was no borrowing, gearing ratio was 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 2014, 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 Monday, 15 September 2014 and Tuesday, 16 September 2014, during which period no requests for the transfer of shares will be accepted.

In order to qualify for the interim dividend and the special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 12 September 2014.

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 maintaining high standards of corporate governance. In the opinion of the Board of Directors (the "Board"), the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to 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 2014.

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 to 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 standards as set out in the Model Code during the six months ended 30 June 2014.

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 2014 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 financial statements for the six months ended 30 June 2014 with the management.

The condensed interim financial statements for the six months ended 30 June 2014 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim financial statements to be sent to shareholders.

Remuneration Committee

The Remuneration Committee held its meeting in June 2014. The Remuneration Committee currently comprises four independent non-executive directors and two executive directors.

OTHER INFORMATION *(Continued)*

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 2014 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, 22 August 2014

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.