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**HONG KONG FERRY (HOLDINGS) COMPANY LIMITED**

*(Incorporated in Hong Kong under the Companies Ordinance)*

**(Stock Code: 00050)**

**PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to report on the Court action between the Hong Kong Government and the Group in relation to the Group's development proposal of the Central ferry piers in the 1990s. The first trial of the Action took place in late 2006, after which the Court of First Instance gave judgment in favour of the Government. The Group appealed against parts of the judgment, and after the appeal hearing in March 2008, the Group was partly successful in the appeal.

Prior to the conclusion of the second trial which was set down for 3 weeks in November 2008, the Action has been settled between the parties and a consent summons to the Court was signed on 20 November 2008 with the Group agreeing to pay the Government a sum of HK\$125 million (inclusive of interest and legal costs). As an amount of HK\$160 million has been provided for in the Group's accounts for the Defendants' potential liability in respect of the Government's claim, a sum of HK\$35 million will be written back in the account of the financial year ending 31 December 2008.

Further to the Interim Results Announcement on 12 September 2008, the Board also wishes to provide updated information relating to the Group's investment in equity-linked notes. The Group's investment in equity-linked notes was stated at the value of HK\$578,456,000 in its unaudited consolidated balance sheet as at 30 June 2008, and its valuation has since reduced due to worsening of the recent global financial turmoil. Based on information on the market value of such investment as at 10 November 2008 available to the Company, a further unrealised loss amounting to approximately HK\$410,000,000 has been incurred. This investment, whilst marked to market using bank models from time to time, is intended to be held to maturity. The Group has not had any exposure in accumulators.

As at today, the Group has cash of approximately HK\$618,000,000.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by Hong Kong Ferry (Holdings) Company Limited (the “Company”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company and its subsidiaries are collectively referred to as the “Group”.

### **Litigation relating to Central Pier**

The Company refers to High Court Action No.15329 of 1999 (“the Action”) between the Secretary for Justice as the Plaintiff (representing the Hong Kong Government), and The Hongkong and Yaumati Ferry Company Limited and the Company as the 1st and 2nd Defendants respectively.

The Action involved claims by the Government in relation to the Defendants’ development proposal of the Central ferry piers in the 1990s and a related indemnity agreement between the Government and the Defendants. The Government claimed under its Part 1 Claim for the sum of about HK\$77 million, and its Part 2 Claim was initially estimated but unliquidated but recently quantified in the amount of about HK\$45 million. In addition, there were claims for interest and legal costs. The Defendants defended the Government’s claim, and also counterclaimed.

The first trial of the Action, which took place during October to December 2006, mainly focused on the Defendants’ counterclaim in relation to the breakdown of negotiations relating to the land premium for the proposed development. The Defendants made submissions in relation to, amongst other things, the land premium for the development which could not be agreed. On this issue, the Defendants submitted that the Government’s offered land premium figure of HK\$1,771.64 million was excessive and the Government’s later lower assessed premium of HK\$1,059.25 million was never offered to the Defendants.

The Court of First Instance did not accept the Defendants’ submissions and gave judgment in favour of the Government. However, there were other liability and quantum matters which were left to be determined at a second trial, as well as the amount of the Defendants’ liability under the judgment.

Pursuant to legal advice, the Defendants appealed against parts of the judgment which dealt with the Government’s claims. The hearing before the Court of Appeal took place in March 2008. The Defendants were partly successful in the appeal. The Court of Appeal’s judgment gave its interpretation of the indemnity agreement which affected the Government’s recovery under its Part 1 Claim.

The second trial was set down for 3 weeks in November 2008. Immediately before the second trial, the Government produced further evidence which fully quantified its Part 2 Claim. The Defendants then assessed its maximum potential liability in the region of about HK\$290 million (which included an estimate for interest up to an eight year period and legal costs).

Prior to the conclusion of the second trial, the parties signed a consent summons today on the complete settlement of the Action (including the counterclaim) with the Defendants agreeing to pay the Government a sum of HK\$125 million (inclusive of interest and legal costs). The Board considers that this represents a good compromise of the Government's claims and a significant reduction from the maximum potential liability estimated by the Defendants. It is also within the amount of HK\$160 million provided for in the accounts for the Defendants' potential liability in respect of the Government's claims. A sum of HK\$35 million will be written back as a profit item of the Group in the financial year ending 31 December 2008.

### **Update in relation to the Group's investment in equity-linked notes**

Further to the Interim Results Announcement on 12 September 2008, the Board also wishes to provide updated information relating to the Group's investment in equity-linked notes. The Group's investment in equity-linked notes was stated at the value of HK\$578,456,000 in its unaudited consolidated balance sheet as at 30 June 2008, and its valuation has since reduced due to worsening of the recent global financial turmoil. Based on information available to the Company on the market value of such investment as at 10 November 2008, a further unrealised loss amounting to approximately HK\$410,000,000 has been incurred. This investment, whilst marked to market using bank models from time to time, is intended to be held to maturity.

The equity-linked notes were not structured on a leveraged basis. The Group has not had any exposure in accumulators.

As at today, the Group has cash of approximately HK\$618,000,000. It is anticipated that the sale of Shining Heights at 83, Sycamore Street, Kowloon (a development project with gross floor area of approximately 320,000 sq. ft.) in the next few months will also provide additional cash flow to the Group. The Group may invest in investment items such as equities and convertible bonds in the future, if the Board considers that the market conditions are appropriate and price levels are attractive.

### **General**

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**Yuen Wai Kuen**  
Company Secretary

Hong Kong, 20 November 2008

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