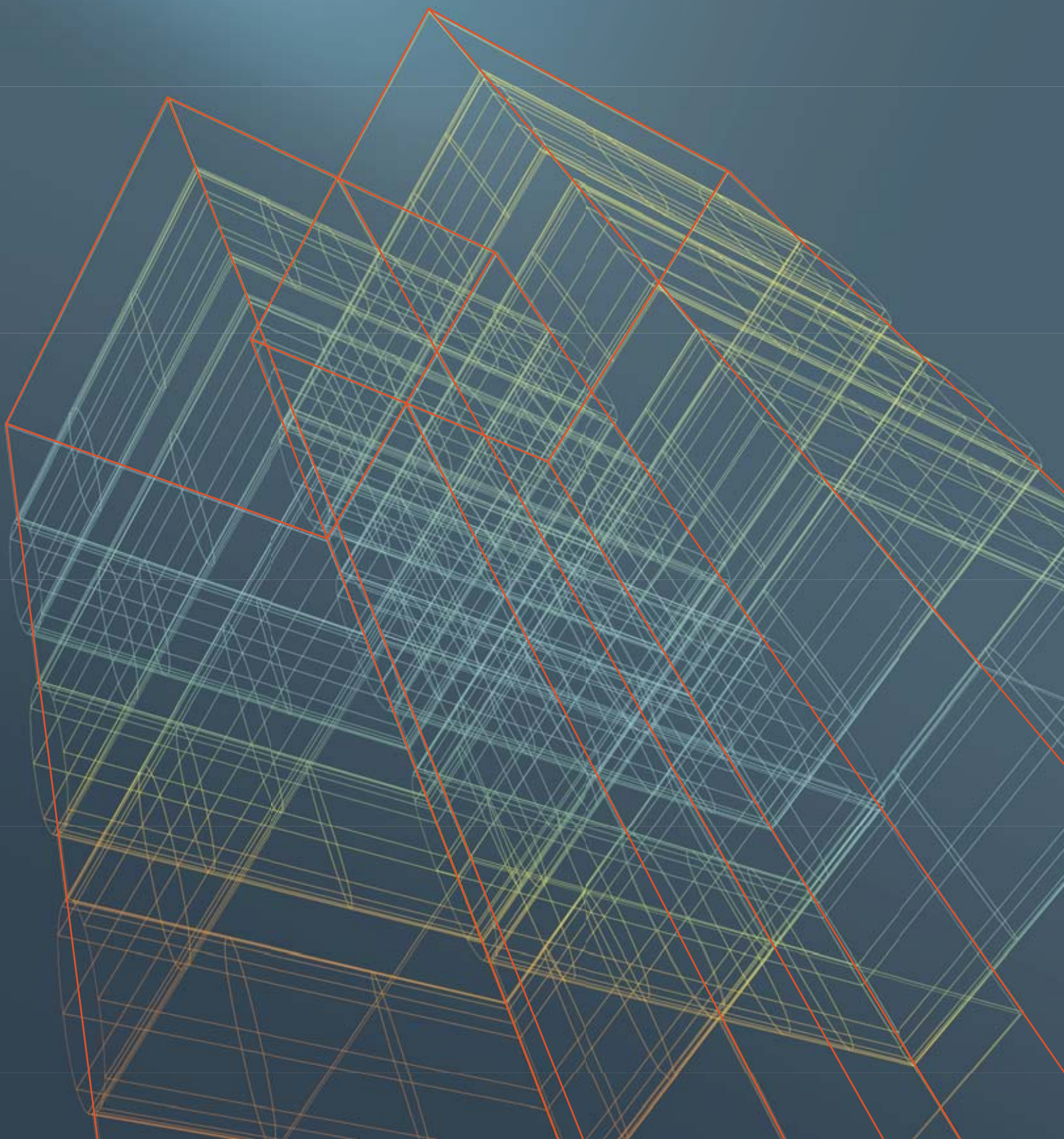


Reaching New Horizons

Interim Report 2007

二零零七年度中期業績報告



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The Board of Directors ("the Board") of HKC (Holdings) Limited ("the Company") wishes to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30th June 2007 as follows:-

Condensed consolidated interim income statement

For the six months ended 30th June 2007

	Note	Unaudited Six months ended 30th June	
		2007 HK\$ Million	2006 HK\$ Million
Revenue	4	315.9	125.9
Cost of sales	6	(263.0)	(86.3)
Gross profit		52.9	39.6
Other revenues		7.3	6.6
Other gains - net	5	727.9	233.8
Administrative expenses	6	(128.1)	(41.6)
Other operating income/(expenses)		1.2	(10.4)
Operating profit		661.2	228.0
Finance income	7	23.3	5.3
Finance costs	7	(33.2)	(32.9)
Share of profits less losses of associated companies		9.3	49.7
Share of profits less losses of jointly controlled entities		13.5	2.3
Profit before income tax		674.1	252.4
Income tax expense	8	(71.3)	(3.0)
Profit for the period		602.8	249.4
Attributable to:			
Equity holders of the Company		603.3	247.9
Minority interests		(0.5)	1.5
		602.8	249.4
Dividends	9	543.3	130.6
Earnings per share, expressed in cents per share	10		
Basic and diluted		13.9	10.5

Condensed consolidated interim balance sheet

As at 30th June 2007

	Note	Unaudited as at 30th June 2007 HK\$ Million	Audited as at 31st December 2006 HK\$ Million
ASSETS			
Non-current assets			
Investment properties	11	2,588.1	2,193.4
Land use rights	11	231.7	224.6
Property, plant and equipment	11	1,485.9	1,108.6
Deposit paid for a property development project		49.5	16.5
Properties held for development	12	1,797.2	–
Intangible assets	11	63.1	63.3
Derivative financial instruments		8.0	8.0
Available-for-sale financial assets		16.1	4.1
Associated companies	13	1,147.4	1,111.3
Jointly controlled entities	14	1,017.8	363.6
Non-current receivables	15	37.3	100.3
Total non-current assets		8,442.1	5,193.7
Current assets			
Properties held for sale	16	26.2	95.1
Financial assets at fair value through profit or loss		12.2	11.2
Trade and other receivables	17	542.4	303.8
Bills receivable		10.3	–
Pledged deposits	18	628.1	294.2
Cash and cash equivalents		722.1	1,062.5
Total current assets		1,941.3	1,766.8
Total assets		10,383.4	6,960.5
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	49.9	36.5
Reserves		5,661.7	3,578.1
Proposed final dividend		–	288.8
Interim and special dividends declared		543.3	–
		6,254.9	3,903.4
Minority interests		(60.9)	(63.7)
Total equity		6,194.0	3,839.7
LIABILITIES			
Non-current liabilities			
Amount due to ultimate holding company	20	176.0	–
Borrowings	21	2,480.1	1,944.6
Non-current payables	15	124.0	161.1
Deferred income tax liabilities		372.1	18.3
Total non-current liabilities		3,152.2	2,124.0
Current liabilities			
Trade and other payables	22	622.1	614.9
Borrowings	21	403.6	369.9
Current income tax liabilities		11.5	12.0
Total current liabilities		1,037.2	996.8
Total liabilities		4,189.4	3,120.8
Total equity and liabilities		10,383.4	6,960.5
Net current assets		904.1	770.0
Total assets less current liabilities		9,346.2	5,963.7

Condensed consolidated interim statement of changes in equity

For the six months ended 30th June 2007

Note	Unaudited					
	Attributable to equity holders of the Company				Minority interests HK\$ Million	Total equity HK\$ Million
	Share capital HK\$ Million	Other reserves HK\$ Million	Retained earnings HK\$ Million	Total HK\$ Million		
Balance at 1st January 2006	23.3	1,628.1	442.9	2,094.3	28.2	2,122.5
Currency translation differences	–	5.0	–	5.0	–	5.0
Net income recognised directly in equity	–	5.0	–	5.0	–	5.0
Employee share option benefits	–	1.7	–	1.7	–	1.7
Profit for the period	–	–	247.9	247.9	1.5	249.4
Change in minority interests arising from acquisition of a subsidiary	–	–	–	–	(76.0)	(76.0)
Issue of new shares 19	4.6	–	–	4.6	–	4.6
Share premium arising from issue of shares	–	481.5	–	481.5	–	481.5
2005 final dividend 9	–	–	(116.4)	(116.4)	–	(116.4)
Repayment of amounts due from minority shareholders	–	–	–	–	0.9	0.9
Balance at 30th June 2006	27.9	2,116.3	574.4	2,718.6	(45.4)	2,673.2
Balance at 1st January 2007	36.5	2,384.2	1,482.7	3,903.4	(63.7)	3,839.7
Currency translation differences	–	153.9	–	153.9	3.1	157.0
Fair value gain of available-for-sale financial assets	–	(0.2)	–	(0.2)	–	(0.2)
Net income recognised directly in equity	–	153.7	–	153.7	3.1	156.8
Employee share option benefits	–	16.6	–	16.6	–	16.6
Profit for the period	–	–	603.3	603.3	(0.5)	602.8
Issue of new shares 19	13.4	–	–	13.4	–	13.4
Share premium arising from issue of shares	–	1,869.4	–	1,869.4	–	1,869.4
Share issue expenses	–	(16.1)	–	(16.1)	–	(16.1)
2006 final dividend 9	–	–	(288.8)	(288.8)	–	(288.8)
Repayment of amounts due from minority shareholders	–	–	–	–	0.2	0.2
Balance at 30th June 2007	49.9	4,407.8	1,797.2	6,254.9	(60.9)	6,194.0

Condensed consolidated interim cash flow statement

For the six months ended 30th June 2007

	Unaudited Six months ended 30th June	
	2007 HK\$ Million	2006 HK\$ Million
Net cash used in operating activities	(171.4)	(323.4)
Net cash used in investing activities	(1,456.5)	(370.7)
Net cash generated from financing activities	1,262.4	663.6
Net decrease in cash and cash equivalents	(365.5)	(30.5)
Cash and cash equivalents at 1st January	1,062.5	597.7
Exchange gains on cash and cash equivalents	25.1	–
Cash and cash equivalents at 30th June	722.1	567.2
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	586.0	517.0
Short term bank deposits	764.2	113.0
Pledged deposits	(628.1)	(62.8)
	722.1	567.2

Notes to condensed consolidated interim financial information

1. GENERAL INFORMATION

HKC (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Pursuant to a group reorganisation under a scheme of arrangement ("the Group Reorganisation") sanctioned by the High Court of Hong Kong Special Administrative Region, which became effective on 16th November 2006, Hong Kong Construction (Hong Kong) Limited ("HK Co"), which was formerly known as Hong Kong Construction (Holdings) Limited, the then holding company of the Group, became a wholly owned subsidiary of the Company which became the holding company of the companies now comprising the Group.

The Company and its subsidiaries (together "the Group") engage in the business of property development and investment, alternative energy investment, infrastructure and construction. The Group has construction contracts and investments mainly in Hong Kong and Mainland China.

The Company is listed on the main board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 21st September 2007.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2007 has been prepared in accordance with HKAS 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31st December 2006 which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2006, as described in the annual financial statements for the year ended 31st December 2006, except for the following:

(a) Standards, amendments and interpretation to published standards effective in 2007 (collectively the "new/revised HKFRS") and adopted by the Group

In 2007, the Group has adopted the following new/revised HKFRS issued by the HKICPA which are relevant to the Group's operations:

- | | |
|----------------------|---|
| • HKAS 1 (Amendment) | Presentation of Financial Statements: Capital Disclosures |
| • HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| • HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| • HK(IFRIC)-Int 10 | Interim Reporting and Impairment |
| • HKFRS 7 | Financial Instruments: Disclosures |

The adoption of the above new/revised HKFRS in the current period did not have any significant effect on the Group's interim financial information nor any substantial changes in the Group's significant accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in annual consolidated financial statements.

The HKICPA has issued certain new standards, interpretations and amendments which are not yet effective for the year ending 31st December 2007. The Group has not early adopted these standards, interpretations and amendments in the Group's interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to Group's significant accounting policies and presentation of the financial statements will be resulted.

3. ACCOUNTING POLICIES (continued)

(b) Change in the functional currency of the Group

Due to the successful transformation of the Group from a construction company to a major China property, infrastructure and alternative energy developer and investor, a significant portion of the Group's revenue, assets and liabilities are denominated in Renminbi. Accordingly, the management has reassessed the functional currency of the Group and decided to change the functional currency of the Group from Hong Kong dollars to Renminbi commencing from 1st January 2007. There is no significant financial impact arising from the change for the six months ended 30th June 2007.

4. SEGMENT INFORMATION

Primary reporting format – business segments

At 30th June 2007, the Group comprises the following main business segments:

- (1) Construction;
- (2) Property investment and leasing;
- (3) Property development and sales; and
- (4) Infrastructure and alternative energy.

The segment results for the six months ended 30th June 2007 are as follows:

	Construction HK\$ Million	Property investment and leasing HK\$ Million	Property development and sales HK\$ Million	Infrastructure and alternative energy HK\$ Million	Other operations HK\$ Million	Total Group HK\$ Million
Revenue	188.6	35.1	77.1	15.1	-	315.9
Operating profit	8.1	352.3	5.6	4.6	290.6	661.2
Finance income						23.3
Finance costs						(33.2)
Share of profits less losses of associated companies	-	9.1	-	0.2	-	9.3
Share of profits less losses of jointly controlled entities	13.5	-	-	-	-	13.5
Profit before income tax						674.1
Income tax expense						(71.3)
Profit for the period						602.8

4. SEGMENT INFORMATION (continued)**Primary reporting format – business segments (continued)**

The segment results for the six months ended 30th June 2006 are as follows:

	Construction HK\$ Million	Property investment and leasing HK\$ Million	Property development and sales HK\$ Million	Infrastructure and alternative energy HK\$ Million	Other operations HK\$ Million	Total Group HK\$ Million
Revenue	89.9	25.1	–	10.9	–	125.9
Operating profit	10.6	85.0	–	3.7	128.7	228.0
Finance income						5.3
Finance costs						(32.9)
Share of profits less losses of associated companies	–	49.7	–	–	–	49.7
Share of profits less losses of jointly controlled entities	2.3	–	–	–	–	2.3
Profit before income tax						252.4
Income tax expense						(3.0)
Profit for the period						249.4

Other segment items included in the income statements are as follows:

	Six months ended 30th June 2007					
	Construction HK\$ Million	Property investment and leasing HK\$ Million	Property development and sales HK\$ Million	Infrastructure and alternative energy HK\$ Million	Other operations HK\$ Million	Total Group HK\$ Million
Depreciation	–	–	–	(8.6)	(3.3)	(11.9)
Amortisation	–	–	–	(0.8)	–	(0.8)

	Six months ended 30th June 2006					
	Construction HK\$ Million	Property investment and leasing HK\$ Million	Property development and sales HK\$ Million	Infrastructure and alternative energy HK\$ Million	Other operations HK\$ Million	Total Group HK\$ Million
Depreciation	–	–	–	(6.0)	(1.6)	(7.6)
Amortisation	–	–	–	(0.1)	–	(0.1)

4. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

The segment assets and liabilities at 30th June 2007 and capital expenditure for the six months then ended are as follows:

	Construction HK\$ Million	Property investment and leasing HK\$ Million	Property development and sales HK\$ Million	Infrastructure and alternative energy HK\$ Million	Unallocated HK\$ Million	Total Group HK\$ Million
Assets	381.8	2,590.6	1,879.1	1,818.2	1,548.5	8,218.2
Associated companies and jointly controlled entities	14.5	1,106.8	1,003.2	40.7	–	2,165.2
Total assets	396.3	3,697.4	2,882.3	1,858.9	1,548.5	10,383.4
Liabilities	451.8	101.5	287.0	1,513.6	1,835.5	4,189.4
Capital expenditure	–	–	2.0	232.9	120.1	355.0

The segment assets and liabilities at 31st December 2006 and capital expenditure for the six months ended 30th June 2006 are as follows:

	Construction HK\$ Million	Property investment and leasing HK\$ Million	Property development and sales HK\$ Million	Infrastructure and alternative energy HK\$ Million	Unallocated HK\$ Million	Total Group HK\$ Million
Assets	283.4	2,197.4	112.4	1,462.3	1,430.1	5,485.6
Associated companies and jointly controlled entities	12.8	1,072.2	350.8	39.1	–	1,474.9
Total assets	296.2	3,269.6	463.2	1,501.4	1,430.1	6,960.5
Liabilities	431.3	12.4	30.7	1,437.0	1,209.4	3,120.8
Capital expenditure	–	578.0	–	332.1	3.9	914.0

4. SEGMENT INFORMATION (continued)**Secondary reporting format – geographical segments**

The Group is organised into two main geographical segments, comprising Hong Kong and Mainland China. There are no other significant identifiable separate geographical segments.

Six months ended 30th June	
2007 HK\$ Million	2006 HK\$ Million
Revenue	
Hong Kong	46.8
Mainland China	79.1
315.9	125.9

Revenue is allocated based on places in which customers are located.

As at	
30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
Segment Assets	
Hong Kong	161.3
Mainland China	3,894.2
6,446.3	
6,668.1	4,055.5
Associated companies and jointly controlled entities	
Hong Kong	51.7
Mainland China	1,423.2
55.3	
2,109.9	
2,165.2	1,474.9
Unallocated assets	1,430.1
1,550.1	
Total Assets	6,960.5
10,383.4	

Total assets are allocated based on where the assets are located.

4. SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments (continued)

Capital expenditure

Hong Kong
Mainland China

Six months ended 30th June

2007 HK\$ Million	2006 HK\$ Million
96.8	0.9
258.2	913.1
355.0	914.0

Capital expenditure is allocated based on where the assets are located.

5. OTHER GAINS – NET

Six months ended 30th June

Negative goodwill arising on acquisition of a subsidiary (Note 23)
Negative goodwill arising on acquisition of an additional interest in a jointly controlled entity
Surplus on revaluation of investment properties
Write back of provision for impairment loss on properties held for sale
Fair value gain/(loss) on financial assets at fair value through profit or loss
Net exchange loss
Others

2007 HK\$ Million	2006 HK\$ Million
374.5	178.7
52.2	–
309.8	55.4
2.5	2.2
0.6	(3.7)
(12.9)	(1.6)
1.2	2.8
727.9	233.8

6. EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Six months ended 30th June	
	2007 HK\$ Million	2006 HK\$ Million
Cost of construction	(178.2)	(79.2)
Cost of properties sold	(74.0)	–
Direct operating expenses arising from investment properties that generate rental income	(2.6)	–
Employee share option benefits	(16.6)	(1.7)
Employee benefit expenses (including directors' emoluments)	(32.9)	(18.5)
Amortisation of land use rights (Note 11(a))	(0.6)	–
Depreciation of property, plant and equipment (Note 11(b))	(11.9)	(7.6)
Auditor's remuneration	(2.6)	(1.7)
Operating lease rental expenses	(4.0)	(2.3)
Professional fees for share placements	(23.9)	–
Corporate reorganisation expenses	–	(1.0)
Other expenses	(43.8)	(15.9)
Total cost of sales and administrative expenses	(391.1)	(127.9)

7. FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2007 HK\$ Million	2006 HK\$ Million
Interest expenses on bank loans and other borrowings		
Wholly repayable within 5 years	(14.4)	(22.6)
Not wholly repayable within 5 years	(63.4)	(29.2)
	(77.8)	(51.8)
Less: capitalised in property, plant and equipment	44.6	18.9
	(33.2)	(32.9)
Finance income – interest income	23.3	5.3
Net finance costs	(9.9)	(27.6)

8. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group has sufficient tax losses brought forward to offset taxable profit for the period (2006: Nil). Mainland China income tax has been provided on the estimated assessable profits of subsidiaries operating in the Mainland China at the rates ranging from 15% to 33% (2006: 15% to 33%).

	Six months ended 30th June	
	2007 HK\$ Million	2006 HK\$ Million
Current income tax		
Mainland China income tax	(0.7)	–
Under provision in prior years	(0.4)	(3.0)
	(1.1)	(3.0)
Deferred income tax		
Surplus on revaluation of investment properties	(51.2)	–
Impact of new Corporate Income Tax Law (Note (a))	(19.0)	–
	(70.2)	–
	(71.3)	(3.0)

Notes:

- (a) On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1st January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As a result of the new CIT Law, the carrying amount of net deferred tax liabilities for the six months ended 30th June 2007 has been increased by HK\$19.0 million.
- (b) Share of income tax of associated companies and jointly controlled entities amounting to HK\$2.7 million (2006: HK\$65.0 million) are included in the condensed consolidated interim income statement as share of profits less losses of associated companies and jointly controlled entities.

9. DIVIDENDS

	Six months ended 30th June	
	2007 HK\$ Million	2006 HK\$ Million
Special dividend declared, of HK2.0 cents (2006: Nil) per ordinary share	108.7	–
Interim dividend declared, of HK8.0 cents (2006: HK4.5 cents) per ordinary share	434.6	130.6
	543.3	130.6

9. DIVIDENDS (continued)

On 21st September 2007, the Board of Directors declared a special dividend of HK2.0 cents per ordinary share payable in cash and an interim dividend of HK8.0 cents per ordinary share, out of which HK4.0 cents will be payable in cash with an option to select scrip while HK4.0 cents will be payable by the issue of bonus shares. Failure to select cash or scrip by 4:30 p.m., 14th November 2007, all interim dividend will be paid in scrip shares. The interim and special dividends are not reflected as dividend payable in this condensed consolidated interim financial statements, but will be reflected as an appropriation of the retained earnings for the year ending 31st December 2007.

A 2006 final dividend of HK6.0 cents (2005: HK5.0 cents) per ordinary share, totalling HK\$288.8 million (2005: HK\$116.4 million) was approved at the annual general meeting held on 28th May 2007 and paid in June 2007. It has been reflected as an appropriation of retained earnings for the six months ended 30th June 2007.

10. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2007	2006
Profit attributable to equity holders of the Company (HK\$ Million)	603.3	247.9
Weighted average number of ordinary shares in issue (Million)	4,325.1	2,351.6
Basic earnings per share (HK cents per share)	13.9	10.5

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares arising from the exercise of the share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30th June	
	2007	2006
Profit attributable to equity holders of the Company (HK\$ Million)	603.3	247.9
Weighted average number of ordinary shares in issue (Million)	4,325.1	2,351.6
Adjustments for share options (Million)	12.9	–
Weighted average number of ordinary shares for diluted earnings per share (Million)	4,338.0	2,351.6
Diluted earnings per share (HK cents per share)	13.9	10.5

11. CAPITAL EXPENDITURE

	Investment properties HK\$ Million	Land use rights HK\$ Million	Property, plant and equipment HK\$ Million	Intangible assets HK\$ Million
Six months ended 30th June 2006				
Opening net book amount at 1st January 2006	1,304.8	157.4	482.7	57.3
Acquisition of a subsidiary	578.0	–	0.2	–
Additions	–	16.0	319.8	–
Surplus on revaluation	55.4	–	–	–
Disposals	–	–	(0.5)	–
Depreciation and amortisation	–	(2.7)	(8.8)	(0.1)
Closing net book amount at 30th June 2006	1,938.2	170.7	793.4	57.2

Six months ended 30th June 2007

Opening net book amount at 1st January 2007

	2,193.4	224.6	1,108.6	63.3
Exchange differences	84.9	7.9	39.1	–
Additions	–	3.5	351.5	–
Surplus on revaluation	309.8	–	–	–
Disposals	–	–	(0.1)	–
Depreciation and amortisation	–	(4.3)	(13.2)	(0.2)

Closing net book amount at 30th June 2007

	2,588.1	231.7	1,485.9	63.1
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- (a) Amortisation expenses for land use rights of HK\$3.7 million (2006: HK\$2.7 million) have been capitalised in property, plant and equipment as it represents construction-in-progress and HK\$0.6 million (2006: Nil) has been charged in cost of sales.
- (b) Depreciation expenses for property, plant and equipment of HK\$0.1 million (2006: HK\$0.2 million) have been charged to construction costs. HK\$1.2 million (2006: HK\$1.0 million) has been capitalised in property, plant and equipment as it represents construction-in-progress and HK\$11.9 million (2006: HK\$7.6 million) have been expensed in administrative expenses.

12. PROPERTIES HELD FOR DEVELOPMENT

In 2007, the Group has completed in acquiring several properties in Tuanbo Lake in Jinhai County and Jinao International City in Tianjin, and Nanxun Economic Development District in Huzhou City, Zhejiang Province.

13. ASSOCIATED COMPANIES

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
Share of net liabilities	(173.2)	(185.6)
Amounts due from associated companies	1,343.4	1,319.7
Provision for impairment losses	(22.8)	(22.8)
	1,147.4	1,111.3

Balances with associated companies are unsecured, interest free and have no fixed terms of repayment except for the amounts due from associated companies of HK\$74.3 million (31st December 2006: HK\$71.2 million) which bear interest at the Hong Kong dollar prime rate (31st December 2006: Hong Kong dollar prime rate).

14. JOINTLY CONTROLLED ENTITIES

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
Share of net assets	1,034.3	377.9
Amounts due to jointly controlled entities	(11.2)	(9.0)
Provision for impairment losses	(5.3)	(5.3)
	1,017.8	363.6

Balances with jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

On 10th January 2007, the Group entered into an equity transfer agreement to acquire an additional 15% of the registered capital of the joint venture engaged in a real estate development project in Shanghai at a total price of HK\$582.0 million. As a result, the Group's interest in the joint venture increased from 10% to 25% after the acquisition. Details of the acquisition are set out in Note 26(b).

15. NON-CURRENT RECEIVABLES AND PAYABLES

The carrying amounts of non-current receivables and payables approximate their fair value.

16. PROPERTIES HELD FOR SALE

At 30th June 2007, the carrying amount of properties held for sale that are carried at net realisable value amounted to HK\$26.2 million (31st December 2006: HK\$95.1 million), of this amount, the land use rights amounted to HK\$23.5 million (31st December 2006: HK\$71.5 million).

17. TRADE AND OTHER RECEIVABLES

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
Trade receivables, net of provisions for impairment of receivables	92.7	28.5
Retention receivables	16.8	15.9
Other receivables and deposits, net of provisions for impairment of receivables	239.7	170.3
Gross amounts due from customers for contract works	188.0	85.5
Amount due from a related company	5.2	3.6
	542.4	303.8

At 30th June 2007 and 31st December 2006, the ageing analysis of trade receivables, net of provision for impairment of receivables, is as follows:

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
0 to less than 2 months	88.5	14.3
2 to less than 6 months	1.5	0.7
6 to less than 12 months	0.3	3.2
12 months and more	2.4	10.3
	92.7	28.5

The Group's credit terms for the contracting business are negotiated with and entered into under normal commercial terms with its trade customers. Retention money receivables in respect of contracting services are settled in accordance with the terms of respective contracts.

18. PLEDGED DEPOSITS

- (a) At 30th June 2007, deposits of HK\$7.7 million (31st December 2006: HK\$7.9 million) were pledged to certain banks to secure banking facilities granted to certain buyers of properties of the Group to the extent of HK\$9.3 million (31st December 2006: HK\$32.8 million).
- (b) At 30th June 2007, deposits of HK\$7.8 million (31st December 2006: HK\$1.0 million) were pledged to the performance bonds and guarantee, under contracts and other agreements.
- (c) At 30th June 2007, deposits of HK\$612.6 million (31st December 2006: HK\$285.3 million) were pledged to secure certain long term bank loans.

19. SHARE CAPITAL

	Note	Number of shares (Million)	Ordinary shares HK\$ Million
Authorised			
At 1st January 2006		10.0	0.1
Increase in authorised shares	(b)(i)&(v)	9,990.0	99.9
At 31st December 2006 and 30th June 2007		10,000.0	100.0
Issued and fully paid			
At 1st January 2006		2,328.4	23.3
Share placements – controlling shareholder	(b)(ii)	465.7	4.7
Issue of scrip dividend shares	(a)	244.2	2.4
Cancellation of the shares of HK Co	(b)(iii)	(3,038.3)	(30.4)
Shares issued and transferred to shareholders of HK Co as consideration for cancellation of shares of HK Co	(b)(iii)	3,038.3	30.4
Share placements – other shareholders	(b)(iv)	607.7	6.1
At 31st December 2006		3,646.0	36.5
At 1st January 2007		3,646.0	36.5
Share placements – controlling shareholder	26(c)	437.6	4.4
Share placements – other shareholders	(b)(vi)	729.9	7.3
Issue of scrip dividend shares	(b)(vii)	178.2	1.7
At 30th June 2007		4,991.7	49.9

19. SHARE CAPITAL (continued)

Notes:

- (a) HK Co offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive ordinary shares of HK\$0.01 each in lieu of a cash dividend during the following dividend declaration and ordinary shares were issued under these schemes:

All shares issued during the year ranked pari passu in all respects with the then existing shares.

	Number of new ordinary shares issued	Issue price per ordinary share	Issue date
Interim dividend for the year ended 31st December 2006	135,642,936	HK\$0.94	6th November 2006
Final dividend for the year ended 31st December 2005	108,598,829	HK\$1.02	27th July 2006
	<u>244,241,765</u>		

- (b) On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which were issued and allotted on 20th April 2005. Such shares were subsequently credited as fully paid as part of the Group Reorganisation on 16th November 2006. During the period, the changes in the authorised and issued share capital of the Company were as follows:

- (i) By an ordinary resolution passed on 16th November 2006, the authorised share capital of the Company increased to HK\$50,000,000 by the creation of an additional 4,990,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- (ii) On 8th May 2006, HK Co entered into a subscription agreement with Creator Holdings Limited ("Creator"), the controlling shareholder, under which Creator agreed to subscribe 465,681,854 new shares at the price of HK\$1.044 per share. The net proceeds from such issue were approximately HK\$486.2 million.
- (iii) On 16th November 2006, as part of the Group Reorganisation, the Company issued an aggregate of 3,028,332,891 shares of HK\$0.01 each, credited as fully paid and transferred 10,000,000 shares of HK\$0.01 each, also credited as fully paid by HK Co to the shareholders of HK Co in consideration of the cancellation and extinguishment of the shares of HK Co.
- (iv) On 23rd November 2006, the Company entered into a placing agreement pursuant to which an aggregate of 607,664,546 new shares of HK\$0.01 each were issued to certain independent investors at HK\$1.1 per share. The associated issuing expenses were HK\$13.4 million. The net proceeds from such issue were approximately HK\$655.0 million.
- (v) By an ordinary resolution passed on 21st December 2006, the authorised share capital of the Company further increased to HK\$100,000,000 by the creation of an additional 5,000,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- (vi) On 12th February 2007, the Company entered into a placing agreement pursuant to which an aggregate of 729,927,000 new shares of HK\$0.01 each were issued to certain independent investors at HK\$1.37 per share. The associated issuing expenses were HK\$16.1 million. The net proceeds from such issue were approximately HK\$983.9 million.
- (vii) The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive ordinary shares of HK\$0.01 each in lieu of a cash dividend during the following dividend declaration and ordinary shares were issued under these schemes:

All shares issued during the period ranked pari passu in all respects with the then existing shares.

	Number of new ordinary shares issued	Issue price per ordinary share	Issue date
Final dividend for the year ended 31st December 2006	178,229,608	HK\$1.59	29th June 2007

- (c) The details of the share option scheme of the Company are set out on pages 31 and 32.

20. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest bearing at Hong Kong dollar prime rate as quoted by HSBC plus 2% and is not expected to be settled within one year (Note 26(f)).

21. BORROWINGS

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
Non-current	2,480.1	1,944.6
Current	403.6	369.9
	2,883.7	2,314.5

Movements in borrowings are analysed as follows:

	<u>HK\$ Million</u>
Six months ended 30th June 2006	
Opening amount at 1st January 2006	999.5
Acquisition of a subsidiary	76.0
New borrowings	511.2
Repayments of borrowings	(76.5)
Closing amount as at 30th June 2006	<u>1,510.2</u>
Six months ended 30th June 2007	
Opening amount at 1st January 2007	2,314.5
Exchange differences	74.9
New borrowings	541.8
Repayments of borrowings	(47.5)
Closing amount as at 30th June 2007	<u>2,883.7</u>

22. TRADE AND OTHER PAYABLES

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
Trade payables	96.8	139.8
Retention payables	24.0	24.1
Other payables and accruals	464.0	402.3
Gross amounts due to customers for contract works	37.3	48.7
	622.1	614.9

At 30th June 2007 and 31st December 2006, the ageing analysis of trade payables is as follows:

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
0 to less than 2 months	26.4	24.6
2 to less than 6 months	16.1	1.2
6 to less than 12 months	8.5	46.6
12 months and more	45.8	67.4
	96.8	139.8

23. BUSINESS COMBINATIONS

On 19th May 2007, the Company, through its wholly-owned subsidiary acquired the entire share capital of Rayman Limited ("Rayman") at an aggregate cash consideration of RMB 519.8 million (equivalent to approximately HK\$532.8 million). Rayman holds the entire equity interest in Tianjin Renai Property Development Company Limited ("Renai") which is established in Tianjin Municipality and engaged in real estate development. After the acquisition, Rayman and Renai became wholly-owned subsidiaries of the Group.

The acquired business did not significantly contribute to the Group's revenue and profit for both the period from 20th May 2007 to 30th June 2007 and the period if the acquisition had occurred on 1st January 2007.

23. BUSINESS COMBINATIONS (continued)

Details of net assets acquired are as follows:

	HK\$ Million
Purchase consideration – cash paid (Note (a))	(532.8)
Fair value of net assets acquired (see below)	<u>1,189.1</u>
Excess of fair value of net assets acquired over purchase consideration	656.3
Deferred tax liabilities in respect of revaluation of properties	<u>(281.8)</u>
Negative goodwill arising on acquisition of a subsidiary, recognised as other gains – net	<u>374.5</u>

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount HK\$ Million	Fair value HK\$ Million
Properties held for development (Note (a))	61.8	1,435.0
Less: Reclamation cost (Note (a))	–	(246.0)
	61.8	1,189.0
Cash and cash equivalents	0.1	0.1
Loans from shareholder (Note (b))	(66.6)	(66.6)
	<u>(4.7)</u>	1,122.5
Loan from the Group (Note (b))		<u>66.6</u>
Net assets acquired		<u>1,189.1</u>
Net outflow of cash to acquire business:		
Purchase consideration – paid		(532.8)
Cash and cash equivalents in subsidiary acquired		<u>0.1</u>
Net cash outflow on acquisition		<u>(532.7)</u>

Notes:

- (a) Assuming the completion of land reclamation which costs HK\$246.0 million, the fair value of properties held for development is HK\$1,435.0 million based on active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. The valuation was reviewed by Knight Frank Petty Limited, an independent professional property valuer. In addition to the purchase consideration of HK\$532.8 million, the Group agreed to pay the reclamation cost of HK\$246.0 million for the acquisition.
- (b) The ex-shareholder has assigned its loan of carrying amount and fair value of HK\$66.6 million to the Group. The assigned loan was eliminated in the condensed consolidated interim financial statements.

24. CONTINGENT LIABILITIES

- (a) The Group has contingent liabilities in respect of banking facilities granted to certain buyers of properties of the Group and its associated companies.
- (b) The Group has contingent liabilities in respect of performance bonds and guarantees under contracts and other agreements entered into in the normal course of business.

25. COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30th June 2007 HK\$ Million	31st December 2006 HK\$ Million
Property, plant and equipment		
Contracted but not provided for	514.1	499.5
Authorised but not contracted for	–	109.7
	514.1	609.2
Property development projects		
Contracted but not provided for	202.9	–
	717.0	609.2

26. RELATED-PARTY TRANSACTIONS

- (a) Mr. OEI Tjie Goan and Mr. OEI Kang, Eric and their respective associates, held a total of approximately 54.62% in aggregate of the entire issued share capital of the Company as at 30th June 2007.
- (b) On 10th January 2007, the Group entered into the Equity Transfer Agreement with Sinar Mas Paper (China) Investment Company Limited ("Sinar Mas Paper"), a company indirectly controlled by the Oei Family, under which Sinar Mas Paper agreed to transfer 15% of the registered capital of Shanghai Jingang North Bund Real Estate Company Limited ("Shanghai Jingang") to HK Co at a total price of HK\$582.0 million. Shanghai Jingang is principally engaged in the development of a complex comprising a hotel, shopping mall and office premises on a site which occupies about 56,670 sq.m. and is situated along the north side of the International Passenger Transportation Terminal of Hongkou of Shanghai Municipality, the PRC. The Group's interest in Shanghai Jingang increased from 10% to 25% after the acquisition. The Equity Transfer Agreement and the transactions contemplated therein constituted discloseable and connected transactions for the Company under Rules 14.06(2) and 14A.13(6) of the Listing Rules, and were subject to reporting, announcement and independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules. Details of such discloseable and connected transactions were set out in the special general meeting circular sent to the shareholders of the Company on 23rd February 2007. The ordinary resolution in relation to this connected transaction was adopted by the independent shareholders in the special general meeting on 12th March 2007.

26. RELATED-PARTY TRANSACTIONS (continued)

- (c) On 10th January 2007, the Company entered into the subscription agreement with Creator Holdings Limited ("Creator"), the controlling shareholder, under which Creator agreed to subscribe for 437,595,000 new shares of the Company at HK\$1.37 per share. The subscription constituted a connected transaction for the Company under Rules 14.06(2) and 14A.13(6) of the Listing Rules, and were subject to independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules. Details of such connected transaction were set out in the special general meeting circular sent to the shareholders of the Company on 23rd February 2007. The ordinary resolution in relation to this connected transaction was approved by the independent shareholders in the special general meeting on 12th March 2007.
- (d) Hong Kong Construction (China) Engineering Company Limited ("HKC (China)"), a wholly-owned subsidiary of the Company, entered into a project management agreement with Jinguang Property (Chengdu) Limited ("Jinguang Property"), a company indirectly controlled by the Oei family, for a period of 6 months commencing from 15th December 2006. Total service fee income from Jinguang Property amounted to RMB0.5 million (equivalent to approximately HK\$0.5 million) for the period ended 30th June 2007. As the service fee receivable by the Group under the project management agreement was less than 2.5% of the percentage ratio (other than the profit ratio) and HK\$1.0 million, the project management agreement and the transactions contemplated are exempt from the reporting, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.
- (e) Yangpu Water Supply Company Limited, held as to 65% indirectly by the Group, entered a water supply agreement with Jinhai Paper Pulping Industrial Company Limited ("Jinhai"), a company indirectly controlled by the Oei family, for a period of 3 years commencing from 1st January 2006. The water supply agreement and the transactions contemplated therein constituted continuing connected transactions for the Company under Rules 14.06(2) and 14A.13(6) of the Listing Rules and were subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules. Details of such continuing connected transaction were set out in the extraordinary general meeting circular sent to the shareholders of the Company on 12th May 2006. The ordinary resolution in relation to this continuing connected transaction was approved by the independent shareholders in the extraordinary general meeting on 13th June 2006. The approved annual cap for the financial year ending 31st December 2007 is RMB 40.4 million (equivalent to approximately HK\$40.8 million). Income received from the supply of raw water during the period under review amounted to RMB 11.4 million (equivalent to approximately HK\$11.5 million).
- (f) HK Co entered into a revolving loan agreement on 6th October 2005 and a supplemental loan agreement on 20th April 2006 with Creator under which HK Co may borrow up to HK\$500.0 million or its equivalent in other currency from Creator during a period of 36 months from the date of the Agreement ("the loan period"). The loan is unsecured and has no fixed repayment terms during the loan period, the interest is bearing at Hong Kong Dollar Prime Rate as quoted by HSBC plus 2%.
- As at 30th June 2007, the outstanding amount due to Creator was HK\$176.0 million (Note 20).
- (g) Key management compensation

	Six months ended 30th June	
	2007 HK\$ Million	2006 HK\$ Million
Directors' fees	0.1	0.1
Salaries	7.3	6.6
	7.4	6.7

27. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 4th July 2007, HKC (China) entered into a project management agreement with Jinguang Property for a period of 18 months commencing from 1st July 2007 for a total service fee of RMB2.2 million (equivalent to approximately HK\$2.3 million). The project management agreement and the transaction contemplated therein constituted a continuing connected transaction for the Company under the Listing Rules and is exempt from the independent shareholders approval requirement under Rule 14A.34 of the Listing Rules.
- (b) On 1st August 2007, the Company placed 450,000,000 new shares at the price of HK\$2.80 per share to the independent institutional investors. The net proceeds were approximately HK\$1,221.0 million.
- (c) On 16th August 2007, the Company bought back its 8,858,000 shares at the price range of HK\$1.59 to HK\$1.61. The proceeds paid were approximately HK\$14.2 million.
- (d) During July and August 2007, the Company entered into the shares subscription agreements and supplemental agreements with Cerberus Asia Capital Management, LLC ("Cerberus"), Penta Investment Advisers Limited ("Penta") and Creator Holdings Limited ("Creator"), the controlling shareholder, under which Cerberus and Penta will subscribe 1,426,829,000 shares and 570,731,000 shares respectively at the price of HK\$2.05 per share while Creator will subscribe 686,317,000 shares at the price of HK\$2.273 per share. The gross proceeds from the share subscriptions are approximately US\$725.0 million (equivalent to approximately HK\$5,655.0 million). The share subscription constituted connected transactions for the Company under Rules 14.06(2) and 14A.13(6) of the Listing Rules, and is subject to reporting, announcement and independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules. Details of such connected transactions were set out in the special general meeting circular sent to shareholders of the Company on 12th September 2007 and are subject to the approval of independent shareholders at the special general meeting on 23rd October 2007.
- (e) Upon the completion of the transactions as described in paragraph (b), (c) and (d) above, the Company's total number of ordinary shares in issue will increase from 4,991,749,045 shares as at 30th June 2007 to 8,116,768,045 shares.
- (f) On 16th July 2007, the Board of Directors proposed to make the bonus warrant issue to its shareholders on the basis of 1 warrant for every 10 shares held. The bonus warrants will entitle their holders to subscribe for new shares at the revised price of HK\$2.05 per share and which will be exercisable at any time from the date of issue to the last day of the 24 months thereafter (both dates inclusive). On the basis of 8,116,768,045 shares in issue assuming the completion of shares subscriptions as described in paragraph (d) above, not more than 811,676,804 warrants would be issued upon the approval of shareholders at the forthcoming special general meeting.
- (g) On 3rd September 2007, the tender submitted by a wholly-owned subsidiary of the Group in the PRC for a parcel of land in Shenyang, Liaoning Province, the PRC, was accepted by the relevant government authorities at the price of RMB 746.5 million (equivalent to approximately HK\$ 768.9 million). It occupies a site area of 67,786.4 sq.m. The Group will develop and operate a residential and commercial complex on the site.
- (h) On 20th September 2007, the Group entered into a Sale and Purchase Agreement with New World Hotels (Corporation) Limited, pursuant to which the Group dispose of its entire shareholding and loan interests in the companies which hold entire direct and indirect interests in the hotel, office and apartment of Beijing Jing Guang Centre in Beijing, the PRC. The consideration is approximately HK\$505.0 million and the gain on disposal to the Group is approximately HK\$150.0 million, subject to the annual audit of the Group's financial statements for the year ending 31st December 2007.



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover for the six months ended 30th June 2007 amounted to HK\$315.9 million, an increase of 150.9% over turnover of HK\$125.9 million for the same period in 2006, while gross profit for the period of HK\$52.9 million also represented an increase over gross profit of HK\$39.6 million in the equivalent period last year. Net profit attributable to equity holders of the Company amounted to HK\$603.3 million for the period under review (2006: HK\$247.9 million), an increase primarily due to the revaluation of the Group's Tuanbo Lake property in Tianjin acquired in May 2007 and to the Group's acquisition of additional share interests in the property company in Shanghai. Basic earnings per share amounted to HK13.9 cents (2006: HK10.5 cents).

Liquidity and Financial Resources

As at 30th June 2007, the Group's total borrowings amounted to HK\$2,980.7 million, representing a rise of 33.3% when compared with the equivalent figure of HK\$2,235.5 million as at 31st December 2006. Total borrowings as at 30th June 2007 included Hong Kong Dollar borrowings of HK\$377.3 million (2006: HK\$139.8 million) and Renminbi borrowings equivalent to HK\$2,603.4 million (2006: HK\$2,095.7 million).

The maturity dates for most of the Group's outstanding borrowings are spread over the next five years, with HK\$403.6 million repayable within one year or on demand, HK\$1,250.6 million repayable within two to five years, and HK\$1,326.5 million repayable after five years.

All of the Group's outstanding borrowings take the form of interest-bearing loans, with interest rates fixed at market prices.

As at 30th June 2007, the Group had pledged deposits of HK\$628.1 million and unpledged cash and cash equivalents amounting to HK\$722.1 million. These figures compare very favorably with the equivalent respective figures of HK\$294.2 million and HK\$1,062.5 million as at 31st December 2006.

The Group did not use financial instruments for financial hedging purposes during the period under review.

The Group will continue its efforts to create an optimum financial structure that best reflects the long-term interests of its shareholders, and will actively consider a variety of alternative sources of funding to finance future investments.

Details of Charges in Group Assets

In the period under review, the Group and certain of its subsidiaries had charged certain properties worth HK\$2,488.4 million (2006: HK\$2,118.3 million) as security for bank and other loans.

Gearing Ratio

The Group's gearing ratio as at 30th June 2007 was 26.3%, compared with 22.9% as at 31st December 2006. This ratio represents total borrowings (excluding the amounts due to minority shareholders) less cash and cash equivalents (including pledged deposits) divided by total equity.

Contingent Liabilities

- (a) The Group had contingent liabilities in respect of banking facilities granted to certain buyers of properties of the Group and its associated companies.
- (b) The Group had contingent liabilities in respect of performance bonds and guarantees under contracts and other agreements entered into in the normal course of business.

BUSINESS REVIEW

During the past couple of years, HKC has made rapid strides forward in its transformation from a construction company into one of China's foremost property developers and alternative energy players. Following a period of intensive refocusing that has seen the Group channel resources and expertise into these two core businesses, its results for the first half of 2007 confirm its ability to compete at the highest levels of the China property and alternative energy sectors. The Group's success has been reflected in its market capitalisation, which had surged to HK\$14.6 billion by July 2007.

A priority for the Group at this stage is to back its skills in the market with a strong financial base and new sources of funding, so that it can remain competitive, particularly in land bank acquisition and property development. In fact, by consistently demonstrating its ability to acquire high-grade land at reasonable prices in key areas of China, the Group has attracted external investors keen to enter the China property market. In recent months, this has led to one of the world's top private investment companies, Cerberus Asia Capital Management, LLC ("Cerberus"), pinpointing HKC as its preferred platform for investing in China's property market. Having completed thorough due diligence procedures, Cerberus, has agreed to invest US\$375.0 million (equivalent to approximately HK\$2,925.0 million) in equity and provide a US\$500.0 million (equivalent to approximately HK\$3,900.0 million) loan facility line to the Group, subject to shareholder's approval. Related to this arrangement, HKC will also receive a US\$200.0 million (equivalent to approximately HK\$1,560.0 million) top-up from Mr Eric Oei, the controlling shareholder, and a US\$150.0 million (equivalent to approximately HK\$1,170.0 million) top-up from Penta Investment Advisers Ltd. ("Penta"), a Hong Kong institutional investor. Cerberus has numerous high profile interests in major companies around the globe, but its investment in HKC represents its first carefully considered entrance into the PRC and Hong Kong real estate markets.

The Cerberus investment means far more than merely making available significant new funding by which the Group can enlarge its land bank. Besides its financial input, the presence of Cerberus will bring significant intangible benefits. Cerberus's investment also represents an endorsement of HKC from one of the most demanding private equity companies in the world: not only will this boost investor confidence further but it will bring the Group invaluable foreign financial and real estate expertise. Once the Cerberus agreement has been completed, both Cerberus and Penta will be represented on the Group's Board of Directors, and each will also have one seat on the four-seat Investment Committee to be set up which will be responsible for vetting and approving all the Group's major investment decisions. Their presence on the Investment Committee should offer investors further confidence in the quality of the Group's investments in China. This long-term commitment to the Group's business, and the accompanying expertise they bring with them will further buttress the Group's future development.

To date, profits generated from the Group's property investments have largely arisen due to revaluation of property acquired by the Group, as is the case in the period under review. This is to be expected as a natural by-product of the Group's choice of the China property market as its investment focus, and of its astuteness in acquiring properties at good prices. Exposure in China's high-potential property market has become the Group's core focus: revaluation gains are one of the rewards of this commitment, and indeed a form of endorsement of the Group's long-term investment strategy.

Property Investment, Development and Management

The Group's existing property investment portfolio, consisting largely of premium commercial and residential developments in Shenzhen, Guangzhou and Beijing, continued to generate a steady stream of rental revenue for the Group during the period under review. The Group also holds interests in the Peninsula Beijing Hotel in Beijing and the CITIC Plaza shopping mall in Guangzhou.

The Group continued to move forward with other high-potential property development projects during the period. In January 2007, its RMB129.0 million (equivalent to approximately HK\$133.1 million) bid for a plot of land of approximately 207,628 sq.m. in the Nanxun Economic Development District in Huzhou City, Zhejiang Province was accepted by the relevant government authorities. The Group is currently in the process of finalising the design for a centralised complex for suppliers of furniture and building materials.

The Group's RMB445.3 million (equivalent to approximately HK\$459.5 million) bid for a 60,734 sq.m. plot of land located in Tianjin Jinao International City was accepted by the relevant government authorities in February 2007. Construction of a five-star hotel, commercial complex and clubhouse to be developed and operated by the Group began on the site in July 2007.

Following approval given at a special general meeting in March 2007, the Group increased its shareholding in Shanghai Jingang North Bund Real Estate Company Limited from 10% to 25%. This company is principally engaged in the development of a complex comprising a hotel, shopping mall and office premises on a 56,670 sq.m. site in Hongkou in Shanghai, situated along the north side of the International Cruise Terminal.

In a further demonstration of HKC's ability to obtain land at reasonable prices, in May 2007, the Group acquired for HK\$774.9 million a property company in developing land along the eastern shore of Tuanbo Lake in Jinhai County, Tianjin. Following this acquisition, and in accordance with Hong Kong Financial Reporting Standards, the Tuanbo Lake property was initially booked at its fair market value, a move which resulted in a negative goodwill for the Group of HK\$374.5 million during the period under review.

HKC is optimistic about prospects for Tianjin given the imminent completion of a new high speed railway between Tianjin and Beijing which will reduce the travelling time between the two cities to just thirty minutes. Moreover, Binhai New City, a special economic zone in Tianjin, is expected to grow rapidly following strong support from the central government which is also currently considering a proposal that would allow mainland Chinese investors to invest directly in Hong Kong securities via accounts opened in Binhai. A major new oil discovery in the Bohai sea near Tianjin is expected to further contribute to economic development in the area.

Alternative Energy

The Group has substantially completed the construction of its two 30MW wind power stations in Heilongjiang, and these are now ready to generate electricity.

The Group is also currently involved in a joint venture with the China Energy Conservation Investment Corporation ("CECIC") that has been set up to invest in, construct and operate a 200MW capacity wind power plant in Hebei Province. Total investment in the project is estimated to be approximately RMB1.6 billion (equivalent to approximately HK\$1.7 billion), with the Group and CECIC contributing 40% and 60% of the registered capital respectively.

Furthermore, the Group has acquired the preferential right to develop wind power plants in an area of 1,000 sq.km in the Siziwang Qi area in Inner Mongolia, China, with the potential to develop generation capacity of up to 1,000MW over the next five years. The Group hopes to develop a generation capacity of between 100MW and 150MW by 2008.

The Group's waste to energy joint venture in Shandong Province, with the China National Environmental Protection Corporation, a wholly-owned subsidiary of CECIC, is currently under trial operation. The Group owns 40% of the project, with 60% owned by CECIC. Trial operations began in August 2007, with a 24MW output capacity. Besides earning revenue from the generation of electricity the project will also gain additional revenue from fees for garbage treatment paid by the Linyi municipal government, trading under the Clean Development Mechanism, and the sale of ash-based materials.

Infrastructure

The Group's water supply plant in the Yangpu Economic Development Zone in Hainan continued to contribute good returns for the Group after 18 months of operation. As sole supplier of raw water for industrial use in the area, it remains in an excellent position for achieving regular, reliable and long-term revenues.

The Group's Build-Operate-Transfer toll road project in Guilin, which will link up with China's Western Expressway, remains under construction with completion targeted for the end of 2007.

Construction

During the period under review, the Group carried out construction of the Hong Kong School of Creativity on behalf of the Hong Kong Institute of Contemporary Culture for a contract sum of approximately HK\$97.0 million. Completion is targeted for the final quarter of 2007.

In addition, in July 2007 the Group won a contract for approximately HK\$68.3 million for carrying out drainage improvements in the Tuen Mun and Sham Tseng areas of Hong Kong for the Drainage Services Department of the HKSAR government. This work has commenced and is scheduled to be completed by early 2010.

OUTLOOK

The Group's immediate aim is to increase the size and quality of its land bank, with a goal of having a significant portion of its property portfolio dedicated for commercial projects. Given the particular strengths and ongoing dynamism of the Shanghai property market, the Group intends to focus particularly on acquiring high-potential sites in Shanghai. There is also strong potential for properties in second and third tier cities, the Group is looking to make purchases in these cities, particularly in the northeastern part of China where it has particularly strong relationships.

The Group is particularly focused on creating a prime Grade A property portfolio, and is currently in the process of acquisition and project development. This means that its property development projects are largely still at the early stages, with significant returns from development expected to begin arriving from 2009 onwards.

In the meantime, the Group is looking to generate quicker cashflows by selling some of its non-core property assets with the aim of using cash generated from such sales to focus its investment on more profitable new development projects. In September 2007, the Group disposed of its entire shareholding and loan interests in Jing Guang Centre, Beijing. The total consideration received by the Group was approximately HK\$505.0 million and the gain on disposal was approximately HK\$150.0 million, subject to the annual audit of the Group's financial statements for the year ending 31st December 2007.

Placing and Subscription of Shares

On 1st August 2007, the Group placed 450,000,000 shares for independent institutional investors by top-up placing, at a price of HK\$2.80 per share. Net proceeds of the placing amounted to approximately HK\$1,221.0 million.

The Company has also entered subscription agreements and supplemental agreements with Cerberus, Penta and Creator Holdings Limited ("Creator"), the controlling shareholder. The gross proceeds will be approximately HK\$5,655.0 million. The total number of shares in issue will increase from 4,991,749,045 shares to 8,116,768,045 shares after the completion of the placing and subscription of shares. This subscription of shares constitutes a connected transaction for the Company under the Listing Rules, and is therefore subject to approval by independent shareholders at a special general meeting to be held on 23rd October 2007.

At the date of this report, Cerberus has officially confirmed that it has satisfactorily completed its due diligence procedures. Both Cerberus and Penta have agreed to purchase new shares at a price of HK\$2.05 per share, whereas Creator will acquire the new shares at HK\$2.273 per share, reflecting the strong support from the controlling shareholder. The placing and subscription of shares will substantially strengthen the financial position of the Company, and broaden its shareholder and capital base.

In July 2007, the Company proposed to issue bonus warrants to shareholders, on the basis of one warrant for every ten shares held. The subscription price for the bonus warrants will be revised to HK\$2.05, and the subscription period will be extended to 24 months.

Property Investment, Development and Management

In early September 2007, the Group successfully bid on a plot of land in the booming city of Shenyang for RMB746.0 million (equivalent to approximately HK\$768.9 million). The 67,786 sq.m. site will be used for residential and commercial developments. Shenyang has been growing rapidly. In 2006 GDP rose by approximately 16.5% year on year, and personal incomes rose by 15.4%. With Shenyang's economy continuing to expand, the Group expects the property market to continue to strengthen both in the shorter and longer term.

Elsewhere, the Group is negotiating to increase the size of its land bank in Tianjin and Qingdao, and will participate in auctions for commercial properties in Shanghai.

Alternative Energy

The Group has been one of the first movers in the China alternative energy industry. It is one of the first major Hong Kong listed companies to have invested in this sector, having built up a strong and expert management team in this specialised industry over the past few years. This foresight is reaping rewards as the Chinese government increasingly puts in place incentives and subsidies to encourage the use of cleaner energy across the country, in response to a wider national and global emphasis on protecting and sustaining the environment.

Recently, for example, the government has announced measures obligating power grids to take up electricity generated by alternative energy providers as a priority over that generated from traditional fossil fuels. According to the Renewable Energy Law, by 2020 alternative energy is expected to contribute 15% of the country's total energy supply. The government has also announced plans to tax all end-users to subsidise the development of alternative energy on a nationwide scale. Very recently, coastal cities have been encouraged to build waste-to-energy facilities to cope with the scarcity of land for landfills in these regions. The Group's alternative energy business stands to benefit either directly and indirectly from each of these government moves.

Currently, many of the alternative energy projects being undertaken by the Group have the potential for further development. Its Shandong waste-to-energy plant, for instance, which is ready to begin generating electricity, has the potential to expand into Phase II as the city expands. The first Phase of the Group's Hebei wind farm is due for power-on in May 2008, and the construction of further Phases that will significantly increase generation capacity are also planned for 2008 and 2009. The Group's Inner Mongolia site, currently at the testing and planning stage, also holds enormous potential in the longer term. With the government measures described above providing added incentives for alternative energy producers, the Group will continue to explore possibilities and sites for further development of China's wind resources.

In addition, the Group is in the early stages of a collaboration with Indonesia's Sinar Mas Group to jointly invest in palm oil plantations and biodiesel refineries in Indonesia and China. Biofuels are another increasingly important alternative energy source, and the Group is looking to develop this high-potential business over the next few years in close collaboration with Sinar Mas.

Employees

As at the end of June 2007, the Group's operations in Hong Kong and mainland China employed a total of approximately 400 employees. The Group also appoints technical and engineering consultants on contract terms for its ongoing construction projects. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance, and prevailing marketing conditions.

Interim Dividend

The directors have declared an interim dividend of HK8.0 cents per ordinary share for the six months ended 30th June 2007 (six months ended 30th June 2006: HK4.5 cents). The interim dividend will be payable on 23rd November 2007.

Special Dividend

To celebrate the 20th Anniversary of the listing of the Group on the Hong Kong Stock Exchange and the realisation of substantial cash received and profit from the disposal of its entire interests in Jing Guang Centre in Beijing, the directors declared a special dividend of HK2.0 cents per ordinary share (six months ended 30th June 2006: Nil) to express its gratitude to the shareholders. The special dividend will be payable on 18th October 2007.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 16th June 2006 (the "Option Scheme").

During the six months ended 30th June 2007, there were 10,000,000 share options being granted under the Option Scheme. Details of the share options granted under the Option Scheme were as follows:

	Number of options outstanding at 1st January 2007	Number of options granted during the period	Number of options outstanding at 30th June 2007	Date of grant	Exercise period	Exercise price per share HK\$	Closing price per share immediately before the date of grant HK\$
<i>Directors</i>							
OEI Kang, Eric	562,500	–	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.42	1.41
	937,500	–	937,500	15th December 2006	15th December 2008 to 14th December 2016	1.42	1.41
CHEN Libo	4,000,000	–	4,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.42	1.41
	6,500,000	–	6,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.42	1.41
	2,500,000	–	2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.42	1.41
NG Chi Man, Michael (Note 1)	–	3,330,000	3,330,000	7th June 2007	7th June 2008 to 6th June 2017	1.948	1.940
	–	3,330,000	3,330,000	7th June 2007	7th June 2009 to 6th June 2017	1.948	1.940
	–	3,340,000	3,340,000	7th June 2007	7th June 2010 to 6th June 2017	1.948	1.940
TSANG Sai Chung, Kirk	3,000,000	–	3,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.42	1.41
	5,000,000	–	5,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.42	1.41
TANG Sau Wai, Tom	3,600,000	–	3,600,000	15th December 2006	15th December 2007 to 14th December 2016	1.42	1.41
	5,900,000	–	5,900,000	15th December 2006	15th December 2008 to 14th December 2016	1.42	1.41
	1,500,000	–	1,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.42	1.41

SHARE OPTION SCHEME (continued)

	Number of options outstanding at 1st January 2007	Number of options granted during the period	Number of options outstanding at 30th June 2007	Date of grant	Exercise period	Exercise price per share HK\$	Closing price per share immediately before the date of grant HK\$
CHAN Kwok Fong, Joseph (Note 2)	1,000,000	–	1,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.42	1.41
	1,500,000	–	1,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.42	1.41
	2,500,000	–	2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.42	1.41
	<u>38,500,000</u>	<u>10,000,000</u>	<u>48,500,000</u>				
<i>Ex-director</i> CHENG Sum Hing, Sam (Note 3)	1,800,000	–	1,800,000	15th December 2006	15th December 2007 to 14th December 2016	1.42	1.41
	3,000,000	–	3,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.42	1.41
	<u>4,800,000</u>	<u>–</u>	<u>4,800,000</u>				
<i>Employees</i>	23,862,500	–	23,862,500	15th December 2006	15th December 2007 to 14th December 2016	1.42	1.41
	37,487,500	–	37,487,500	15th December 2006	15th December 2008 to 14th December 2016	1.42	1.41
	34,250,000	–	34,250,000	15th December 2006	15th December 2009 to 14th December 2016	1.42	1.41
	<u>95,600,000</u>	<u>–</u>	<u>95,600,000</u>				

Using the Binominal Valuation model, the fair value of 10,000,000 share options granted on 7th June 2007 is HK\$6.7 million for the period under review. The significant inputs into the model were share price of HK\$1.92 at the grant date, exercise price of HK\$1.948, volatility of 50%, dividend yield of 7%, an expected option life of 10 years and on annual risk-free interest rate of 4.695%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over the last two years. The assumptions of calculation of fair value of HK\$56.6 million of share options granted on 15th December 2006 were described in Note 11(c) of the annual financial statements for the year ended 31st December 2006.

Notes:

1. Mr. NG Chi Man, Michael was appointed as an executive director of the Company with effect from 1st June 2007.
2. Mr. CHAN Kwok Fong, Joseph was appointed as an executive director of the Company with effect from 29th June 2007.
3. Mr. CHENG Sum Hing, Sam resigned as an executive director of the Company with effect from 29th June 2007.

No share option was exercised, cancelled nor lapsed by directors and employees during the six months ended 30th June 2007.

DIRECTORS' INTERESTS

As at 30th June 2007, the interests or short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(i) Interests of the Directors in shares and underlying shares of the Company:

Name of Director	Nature of interest	Number of Shares (long position)	Approximate percentage of existing issued share capital of the Company (%)	Number of Shares (short position)	Approximate percentage of existing issued share capital of the Company
OEI Kang, Eric ("Mr. OEI")	Personal	169,942,436 ¹	3.404	–	–
	Corporate	2,556,299,803 ²	51.211	–	–
	Joint	1,577,613 ³	0.032	–	–
	Family	1,500,000 ⁴	0.030	–	–
CHEN Libo ("Mr. CHEN")	Personal	76,629,850 ⁵	1.535	–	–
NG Chi Man, Michael ("Mr. NG")	Personal	10,028,867 ⁶	0.201	–	–
TSANG Sai Chung, Kirk ("Mr. TSANG")	Personal	9,551,569 ⁷	0.191	–	–
TANG Sau Wai, Tom ("Mr. TANG")	Personal	11,113,004 ⁸	0.223	–	–
	Family	160,467	0.003	–	–
CHAN Kwok Fong, Joseph ("Mr. CHAN")	Personal	5,000,000 ⁹	0.100	–	–

Notes:

- The personal interest of Mr. OEI represents an interest in 168,442,436 Shares and an interest in 1,500,000 underlying Shares in respect of options granted by the Company as stated below.
- The corporate interest of Mr. OEI represents an interest in 2,067,519,525 Shares held by Creator Holdings Limited ("Creator"), a company wholly-owned by Mr. OEI and an interest in 488,780,278 Shares held by Genesis Capital Group Limited ("Genesis"), a company owned as to 50% by Mr. OEI and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau ("Mrs. OEI"). Mr. OEI is also a director of Creator and Genesis.
- The joint interest of Mr. OEI represents the Shares jointly held with Mrs. OEI.
- The family interest of Mr. OEI represents an interest in 1,500,000 underlying Shares in respect of options granted by the Company to Mrs. OEI.
- The personal interest of Mr. CHEN represents an interest in 63,629,850 Shares and an interest in 13,000,000 underlying Shares in respect of options granted by the Company as stated below.

DIRECTORS' INTERESTS (continued)

(i) Interests of the Directors in shares and underlying shares of the Company: (continued)

Notes:

6. The personal interest of Mr. NG represents an interest in 28,867 Shares and an interest in 10,000,000 underlying Shares in respect of options granted by the Company as stated below.
7. The personal interest of Mr. TSANG represents an interest in 1,551,569 Shares and an interest in 8,000,000 underlying Shares in respect of options granted by the Company as stated below.
8. The personal interest of Mr. TANG represents an interest in 113,004 Shares and an interest in 11,000,000 underlying Shares in respect of options granted by the Company as stated below.
9. The personal interest of Mr. CHAN represents an interest in 5,000,000 underlying Shares in respect of options granted by the Company as stated below.

(ii) Options to subscribe for Shares granted under the share option scheme adopted on 16th June 2006

Name of Director	Nature of interest	Number of options outstanding as at the Latest Practicable Date	Date of grant	Exercise period	Exercise price per share HK\$
Mr. OEI	Personal	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.42
	Personal	937,500	15th December 2006	15th December 2008 to 14th December 2016	1.42
	Family	562,500 (Note)	15th December 2006	15th December 2007 to 14th December 2016	1.42
	Family	937,500 (Note)	15th December 2006	15th December 2008 to 14th December 2016	1.42
Mr. CHEN	Personal	4,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.42
	Personal	6,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.42
	Personal	2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.42
Mr. NG	Personal	3,330,000	7th June 2007	7th June 2008 to 6th June 2017	1.948
	Personal	3,330,000	7th June 2007	7th June 2009 to 6th June 2017	1.948
	Personal	3,340,000	7th June 2007	7th June 2010 to 6th June 2017	1.948
Mr. TSANG	Personal	3,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.42
	Personal	5,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.42

DIRECTORS' INTERESTS (continued)**(iii) Options to subscribe for Shares granted under the share option scheme adopted on 16th June 2006 (continued)**

Name of directors	Nature of Interest	Number of share options outstanding as at the Latest Practicable Date	Date of grant	Exercise period	Exercise price per share HK\$
Mr. TANG	Personal	3,600,000	15th December 2006	15th December 2007 to 14th December 2016	1.42
	Personal	5,900,000	15th December 2006	15th December 2008 to 14th December 2016	1.42
	Personal	1,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.42
Mr. CHAN	Personal	1,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.42
	Personal	1,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.42
	Personal	2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.42

Note: The family interest of Mr. OEI represents an interest in 1,500,000 underlying Shares in respect of options granted by the Company to his wife, Mrs. OEI.

(iii) Interests and short positions in the shares, underlying shares and debentures of associated corporation(s) of the Company

Mr. OEI owns 1 ordinary share (representing its entire issued share capital) in Creator as his personal interests.

Save as disclosed above, none of the Directors or chief executive of the Company held any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2007, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors and Chief Executive of the Company, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interest	Number of Shares (long position)	Approximate percentage of existing issued share capital of the Company (%)	Number of Shares (short position)	Approximate percentage of existing issued share capital of the Company
Mrs. OEI	Personal	1,500,000 ¹	0.030	–	–
	Corporate	488,780,278 ²	9.792	–	–
	Joint	1,577,613 ³	0.032	–	–
	Family	2,237,461,961 ⁴	44.823	–	–
Creator	Beneficial owner	2,067,519,525	41.419	–	–
Penta Investment Advisers Ltd ("Penta")	Investment manager	684,405,000	13.711	–	–
John ZWAANSTRA	Corporate	684,405,000 ⁵	13.711	–	–
Genesis	Beneficial owner	488,780,278	9.792	–	–
Mercurius GP LLC	Founder of a discretionary trust	270,368,000	5.416	–	–
Penta Japan Fund, Ltd.	Corporate	270,368,000	5.416	–	–
Todd ZWAANSTRA	Trustee	270,368,000	5.416	–	–

Notes:

1. The personal interest of Mrs. OEI represents an interest in 1,500,000 underlying Shares in respect of options granted by the Company to her.
2. The corporate interest of Mrs. OEI represents the Shares held by Genesis.
3. The joint interest of Mrs. OEI represents the Shares jointly held with Mr. OEI.
4. The family interest of Mrs. OEI represents an interest in 2,067,519,525 Shares held by Creator, an interest in 168,442,436 Shares held by Mr. OEI and an interest in 1,500,000 underlying Shares in respect of options granted by the Company to Mr. OEI.
5. The corporate interest of John ZWAANSTRA represents an interest in 684,405,000 Shares held by Penta, a company wholly-owned by John ZWAANSTRA.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the period under review.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period ended 30th June 2007.

Code Provision E.1.2

Code Provision E.1.2 The Chairman of the Board did not attend the annual general meeting of the Group as he had another business engagement but the Chairman of the relevant committee were available to answer question at the shareholders meetings.

Code Provision A.4.1

Under the Code Provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. However, the independent non-executive Directors of the Company were not appointed for a specific term because they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

The Company has adopted the Model Code for Securities Transactions by the Directors ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not for any time of the period in compliance with the Model Code. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. A Code for Securities Dealings by Employees has also been adopted in this regard.

On specific enquiries made, all Directors have confirmed that, in respect of the six months ended 30th June 2007, they have complied with the required standard set out in the Model Code.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 10th October 2007 to 11th October 2007 (both days inclusive). In order to qualify for the 2007 interim and special dividends, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars, Computershare Hong Kong Investor Services Limited at Flat 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 9th October 2007, for registration.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors and one non-executive Director with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2007, which has also been reviewed by the Company's auditor, PricewaterhouseCoopers, 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.

By order of the Board
HKC (HOLDINGS) LIMITED
TSANG SAI CHUNG, KIRK
Company Secretary

Hong Kong, 21st September 2007

Report on Review of Interim Financial Information

For the six months ended 30th June 2007

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF HKC (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 25, which comprises the condensed consolidated balance sheet of HKC (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21st September 2007

- ◇ Property Investment and Management
- ◇ Alternative Energy
- ◇ Infrastructure
- ◇ Construction and Engineering

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