



**INTERIM REPORT 2008**  
**二零零八年度中期業績報告**

Stock Code 股份代號：190

**HKC (HOLDINGS) LIMITED**  
**香港建設(控股)有限公司**  
(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)

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# Corporate information

## Honorary chairman

Mr. YU Ching Po

## Directors

- \* Mr. OEI Tjie Goan (*Chairman*)
- \* Mr. LI Xueming (*Deputy Chairman*)
- \* Mr. XU Zheng (*Deputy Chairman*)
- # Mr. OEI Kang, Eric
- # Mr. CHEN Libo
- # Mr. TSANG Sai Chung, Kirk
- # Mr. CHAN Kwok Fong, Joseph
- # Mr. TANG Sau Wai, Tom
- # Mr. CHAU Wing Hing
- # Mr. SHI Jihua
- \* Ms. Teresa YEN
- \* Mr. WAN Ming Sun
- \* Mr. LIU Guolin
- \* Mr. FAN Yan Hok, Philip
- @ Mr. CHUNG Cho Yee, Mico
- @ Mr. CHENG Yuk Wo
- @ Mr. Albert Thomas DA ROSA, Junior

# *Executive Directors*

\* *Non-executive Directors*

@ *Independent non-executive Directors*

## Solicitors

Iu, Lai & Li

## Auditors

PricewaterhouseCoopers

## Principal bankers

The Bank of East Asia Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

China Construction Bank Corporation

Bank of Communications Company Limited

Dah Sing Bank Limited

Industrial and Commercial Bank of China Limited

## Public relation consultant

Strategic Financial Relations Limited

## Company secretary

Mr. TSANG Sai Chung, Kirk

## Registered office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## Principal share registrar and transfer agent

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08, Bermuda

## Head office and principal place of business in Hong Kong

9/F., Tower 1, South Seas Centre, 75 Mody Road

Tsimshatsui, Kowloon, Hong Kong

Telephone: (852) 2731 0000

Fax: (852) 2722 6266

## Branch share registrar and transfer agent in Hong Kong

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre, 183 Queen's Road East

Hong Kong

## E-mail address

info@hkcholdings.com

## Website address

<http://www.hkcholdings.com>

<http://www.irasia.com/listco/hk/hkc>

## Stock code

190

## Warrant code

314

The board of directors (the “Board”) of HKC (Holdings) Limited (the “Company” or “HKC”) wishes to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2008 together with the comparative figures as follows:–

## Condensed consolidated interim income statement

For the six months ended 30th June 2008

	Note	Unaudited Six months ended 30th June	
		2008 HK\$ Million	2007 HK\$ Million
<b>Revenue</b>	4	<b>111.6</b>	315.9
Cost of sales	6	<b>(78.8)</b>	(263.0)
<b>Gross profit</b>		<b>32.8</b>	52.9
Other revenues		<b>25.6</b>	7.3
Other income	5	<b>902.3</b>	746.3
Administrative expenses	6	<b>(226.9)</b>	(128.1)
Selling and distribution costs		<b>(4.4)</b>	–
Other expenses	7	<b>(189.6)</b>	(17.2)
<b>Operating profit</b>		<b>539.8</b>	661.2
Finance income	8	<b>39.4</b>	23.3
Finance costs	8	<b>(93.0)</b>	(33.2)
Share of profits less losses of associated companies		<b>2.7</b>	9.3
Share of losses less profits of jointly controlled entities		<b>(12.3)</b>	13.5
<b>Profit before income tax</b>		<b>476.6</b>	674.1
Income tax expense	9	<b>(205.9)</b>	(71.3)
<b>Profit for the period</b>		<b>270.7</b>	602.8
<b>Attributable to:</b>			
Equity holders of the Company		<b>293.4</b>	603.3
Minority interests		<b>(22.7)</b>	(0.5)
		<b>270.7</b>	602.8
<b>Dividends</b>	10	<b>121.6</b>	543.3
<b>Earnings per share for profit attributable to equity holders of the Company expressed in HK cents per share</b>	11		
Basic and diluted		<b>3.6</b>	13.9

# Condensed consolidated interim balance sheet

As at 30th June 2008

		Unaudited as at 30th June 2008 HK\$ Million	Audited as at 31st December 2007 HK\$ Million
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	12	3,341.1	2,922.2
Prepaid land lease payments	12	6,354.8	2,259.8
Property, plant and equipment			
– Other property, plant and equipment	12	1,276.0	921.0
– Construction in progress	12	1.4	820.4
Intangible assets			
– Toll road	12	1,584.2	–
– Concession rights and others	12	108.3	56.6
Goodwill	13	367.5	6.3
Properties under development	14	1,141.6	1,358.8
Derivative financial instruments		5.0	5.0
Available-for-sale financial assets		30.4	25.8
Associated companies	15	1,242.9	1,014.1
Jointly controlled entities	16	1,023.1	1,023.8
Non-current receivables	17	–	37.0
<b>Total non-current assets</b>		<b>16,476.3</b>	<b>10,450.8</b>
<b>Current assets</b>			
Properties held for sale	18	7.3	7.1
Financial assets at fair value through profit or loss	19	403.3	93.3
Trade and other receivables	20	559.8	978.2
Restricted cash	21	1,105.3	1,508.9
Cash and cash equivalents		3,166.4	4,416.0
<b>Total current assets</b>		<b>5,242.1</b>	<b>7,003.5</b>
<b>Total assets</b>		<b>21,718.4</b>	<b>17,454.3</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	22	81.1	82.2
Reserves		13,646.3	13,029.1
Proposed final and special dividends		–	283.7
Interim dividend declared	10	121.6	–
Equity attributable to equity holders of the Company		13,849.0	13,395.0
<b>Minority interests</b>		<b>885.9</b>	<b>(9.6)</b>
<b>Total equity</b>		<b>14,734.9</b>	<b>13,385.4</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Amounts due to shareholders	28b&c	138.1	–
Borrowings	23	3,355.4	2,458.7
Non-current payables	17	390.0	112.7
Deferred income tax liabilities		1,080.2	431.5
<b>Total non-current liabilities</b>		<b>4,963.7</b>	<b>3,002.9</b>
<b>Current liabilities</b>			
Amount due to a shareholder	28d	11.4	–
Trade and other payables	24	1,215.0	720.6
Borrowings	23	783.0	330.5
Current income tax liabilities		10.4	14.9
<b>Total current liabilities</b>		<b>2,019.8</b>	<b>1,066.0</b>
<b>Total liabilities</b>		<b>6,983.5</b>	<b>4,068.9</b>
<b>Total equity and liabilities</b>		<b>21,718.4</b>	<b>17,454.3</b>
<b>Net current assets</b>		<b>3,222.3</b>	<b>5,937.5</b>
<b>Total assets less current liabilities</b>		<b>19,698.6</b>	<b>16,388.3</b>

# Condensed consolidated interim statement of changes in equity

For the six months ended 30th June 2008

		Unaudited						
		Attributable to equity holders of the Company						
	Note	Share capital HK\$ Million	Other reserves HK\$ Million	Retained earnings HK\$ Million	Total HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million	
<b>Balance at 1st January 2007</b>		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	
Available-for-sale financial assets: – changes in fair value		–	(0.2)	–	(0.2)	–	(0.2)	
<b>Net income recognised directly in equity</b>		–	153.7	–	153.7	3.1	156.8	
Profit/(loss) for the period		–	–	603.3	603.3	(0.5)	602.8	
<b>Total recognised income and expense</b>		–	153.7	603.3	757.0	2.6	759.6	
Employee share option benefits		–	16.6	–	16.6	–	16.6	
Issue of new shares		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)	
<b>Movements in equity arising from capital transactions</b>		13.4	1,869.9	–	1,883.3	–	1,883.3	
2006 final dividend		–	–	(288.8)	(288.8)	–	(288.8)	
Repayment of amounts due from minority shareholders		–	–	–	–	0.2	0.2	
<b>Balance at 30th June 2007</b>		49.9	4,407.8	1,797.2	6,254.9	(60.9)	6,194.0	
<b>Balance at 1st January 2008</b>		<b>82.2</b>	<b>11,637.6</b>	<b>1,675.2</b>	<b>13,395.0</b>	<b>(9.6)</b>	<b>13,385.4</b>	
Currency translation differences		–	591.2	(0.2)	591.0	22.5	613.5	
Available-for-sale financial assets: – changes in fair value		–	(2.2)	–	(2.2)	–	(2.2)	
<b>Net income recognised directly in equity</b>		–	589.0	(0.2)	588.8	22.5	611.3	
Profit/(loss) for the period		–	–	293.4	293.4	(22.7)	270.7	
<b>Total recognised income and expense</b>		–	589.0	293.2	882.2	(0.2)	882.0	
Employee share option benefits		–	34.5	–	34.5	–	34.5	
Repurchase of shares		(1.1)	–	–	(1.1)	–	(1.1)	
Share premium eliminated from repurchase of shares		–	(184.9)	–	(184.9)	–	(184.9)	
Share premium arising from issue of shares		–	7.0	–	7.0	–	7.0	
Contribution from minority shareholders in subsidiaries		–	–	–	–	376.3	376.3	
<b>Movements in equity arising from capital transactions</b>		(1.1)	(143.4)	–	(144.5)	376.3	231.8	
2007 final dividend		–	–	(283.7)	(283.7)	–	(283.7)	
Change in minority interests arising from acquisition of subsidiaries		–	–	–	–	519.0	519.0	
Increase in an amount due to a minority shareholder		–	–	–	–	0.4	0.4	
<b>Balance at 30th June 2008</b>		<b>81.1</b>	<b>12,083.2</b>	<b>1,684.7</b>	<b>13,849.0</b>	<b>885.9</b>	<b>14,734.9</b>	

# Condensed consolidated interim cash flow statement

For the six months ended 30th June 2008

	Unaudited Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Net cash generated from/(used in) operating activities	813.9	(171.4)
Net cash used in investing activities	(2,375.0)	(1,456.5)
Net cash generated from financing activities	90.1	1,262.4
Net decrease in cash and cash equivalents	(1,471.0)	(365.5)
Cash and cash equivalents at 1st January	4,416.0	1,062.5
Effect of foreign exchange rate changes	221.4	25.1
Cash and cash equivalents at 30th June	3,166.4	722.1
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	2,712.7	586.0
Short term bank deposits	1,559.0	764.2
Restricted cash	(1,105.3)	(628.1)
	3,166.4	722.1

# Notes to the condensed consolidated interim financial information

## 1. General information

HKC (Holdings) Limited (the “Company” or “HKC”) 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.

The Company and its subsidiaries (together the “Group”) engage in the business of property development and investment, alternative energy investment and management, infrastructure and construction. The Group has investments and construction contracts mainly in Hong Kong and the 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 by the board of directors on 10th September 2008.

## 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th June 2008 has been prepared in accordance with HKAS 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

## 3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2007, as described in the annual financial statements for the year ended 31st December 2007.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

**(a) During the period under review, the Group has adopted the following new standards, amendments to standards or interpretations (collectively the “new/revised HKFRS”) issued by the HKICPA which are relevant to the Group’s operations:**

- IFRIC/HK(IFRIC)-Int 12 Service concession arrangements

The adoption of the above interpretation in the current period did not have any significant effect on the Group’s interim financial information.

**(b) The following new/revised HKFRSs are effective for the first time for the financial year beginning 1st January 2008 but are not currently relevant for the Group.**

- IFRIC/HK(IFRIC)-Int 11 IFRS/HKFRS 2 – Group and treasury share transactions
- IFRIC/HK(IFRIC)-Int 14 IAS/HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2008.

- IFRS/HKFRS 8, ‘Operating segments’, effective for annual periods beginning on or after 1st January 2009. IFRS/HKFRS 8 replaces IAS/HKAS 14, ‘Segment reporting’, and requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.
- IAS/HKAS 23 (amendment), ‘Borrowing costs’, effective for annual periods beginning on or after 1st January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

### 3. Accounting policies (continued)

**(b) The following new/revised HKFRSs are effective for the first time for the financial year beginning 1st January 2008 but are not currently relevant for the Group. (continued)**

- IFRS/HKFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1st January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's SAYE schemes.
- IFRS/HKFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates' and IAS/HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.
- IAS/HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- IAS/HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS/HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2009. This is not relevant to the Group as the Group does not have any puttable instruments.
- IFRIC/HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1st July 2008. Management is evaluating the effect of this interpretation on its revenue recognition.
- IFRS 1 and IAS 27 (amendment) 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets', effective for annual periods beginning on or after 1st January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

The Group has not early adopted these standards, interpretations and amendments in the Group's condensed consolidated 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.

## 4. Segment information

### Primary reporting format – business segments

At 30th June 2008, 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 2008 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
<b>Revenue</b>	16.3	36.8	–	52.9	5.6	111.6
<b>Operating profit/(loss)</b>	(15.9)	34.2	763.7	27.0	(269.2)	539.8
Finance income						39.4
Finance costs						(93.0)
Share of profits less losses of associated companies	–	12.4	–	(9.7)	–	2.7
Share of losses less profits of jointly controlled entities	–	(12.3)	–	–	–	(12.3)
<b>Profit before income tax</b>						476.6
Income tax expense						(205.9)
<b>Profit for the period</b>						270.7

## Notes to the condensed consolidated interim financial information

### 4. Segment information (continued)

#### Primary reporting format – business segments (continued)

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
<b>Revenue</b>	188.6	35.1	77.1	15.1	–	315.9
<b>Operating profit</b>	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
<b>Profit before income tax</b>						674.1
Income tax expense						(71.3)
<b>Profit for the period</b>						602.8

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

	Six months ended 30th June 2008					
	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	(2.1)	(1.4)	–	(30.0)	(2.5)	(36.0)
Amortisation	–	(1.1)	(30.6)	(4.2)	(4.0)	(39.9)

#### 4. Segment information (continued)

##### Primary reporting format – business segments (continued)

	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)

The segment assets and liabilities at 30th June 2008 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	314.6	3,442.8	7,380.3	3,288.6	5,026.1	19,452.4
Associated companies and jointly controlled entities	3.3	1,927.1	–	335.6	–	2,266.0
<b>Total assets</b>	<b>317.9</b>	<b>5,369.9</b>	<b>7,380.3</b>	<b>3,624.2</b>	<b>5,026.1</b>	<b>21,718.4</b>
<b>Liabilities</b>	<b>390.5</b>	<b>488.6</b>	<b>1,463.8</b>	<b>2,156.0</b>	<b>2,484.6</b>	<b>6,983.5</b>
<b>Capital expenditure</b>	<b>1.3</b>	<b>98.6</b>	<b>28.6</b>	<b>491.6</b>	<b>5.5</b>	<b>625.6</b>

The unallocated segment assets consist primarily of cash and cash equivalents, restricted cash and prepaid land lease payments while the unallocated segment liabilities consist mainly of non-current payables and current borrowings.

## Notes to the condensed consolidated interim financial information

### 4. Segment information (continued)

#### Primary reporting format – business segments (continued)

The segment assets and liabilities at 31st December 2007 and capital expenditure 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	Unallocated HK\$ Million	Total group HK\$ Million
Assets	417.9	2,925.1	3,271.4	2,215.1	6,586.1	15,415.6
Associated companies and jointly controlled entities	4.1	1,884.3	–	150.3	–	2,038.7
<b>Total assets</b>	422.0	4,809.4	3,271.4	2,365.4	6,586.1	17,454.3
<b>Liabilities</b>	475.8	240.7	298.0	1,639.5	1,414.9	4,068.9
<b>Capital expenditure</b>	–	–	2.0	232.9	120.1	355.0

#### Secondary reporting format – geographical segments

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

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
<b>Revenue</b>		
Hong Kong	16.0	70.0
Mainland China	90.0	245.9
Others	5.6	–
	111.6	315.9

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

#### 4. Segment information (continued)

##### Secondary reporting format – geographical segments (continued)

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
<b>Segment assets</b>		
Hong Kong	200.5	251.4
Mainland China	14,225.8	8,578.1
	<b>14,426.3</b>	8,829.5
<b>Associated companies and jointly controlled entities</b>		
Hong Kong	49.9	47.4
Mainland China	2,216.1	1,991.3
	<b>2,266.0</b>	2,038.7
Unallocated assets	5,026.1	6,586.1
<b>Total assets</b>	<b>21,718.4</b>	17,454.3

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

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
<b>Capital expenditure</b>		
Hong Kong	1.5	96.8
Mainland China	624.1	258.2
	<b>625.6</b>	355.0

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

## 5. Other income

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Net gain arisen from the swap of a piece of land (Note)	<b>794.0</b>	–
Fair value gain on financial assets at fair value through profit or loss – net	<b>61.3</b>	–
Fair value gain on investment properties	<b>41.7</b>	309.8
Negative goodwill arising on acquisition of a subsidiary	–	374.5
Negative goodwill arising on acquisition of an additional interest in a jointly controlled entity	–	52.2
Write back of provision for impairment of receivables	<b>2.3</b>	0.8
Write back of provision for impairment loss on properties held for sale	–	2.5
Others	<b>3.0</b>	6.5
	<b>902.3</b>	746.3

Note: During the period under review, an original piece of land held by the Group was offered by the local relevant government authority in the Mainland China to swap for another piece of land. As a result, with reference to the fair value of the new land, a net gain of HK\$794.0 million was recognised for the period ended 30th June 2008 (Note 9(b)).

## 6. Expenses by nature

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

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Cost of construction	(30.4)	(178.2)
Cost of infrastructure and alternative energy	(10.7)	(1.8)
Cost of property leasing	(5.6)	–
Cost of properties sold	–	(74.0)
Direct operating expenses arising from investment properties that generate rental income	(3.6)	(2.6)
Employee benefit expenses (including directors' emoluments)	(69.1)	(32.9)
Employee share option benefits (Note)	(34.5)	(16.6)
Amortisation of prepaid land lease payments	(1.0)	(0.6)
Amortisation of intangible assets – toll road	(2.8)	–
Depreciation of property, plant and equipment	(36.0)	(11.9)
Auditors' remuneration	(3.1)	(2.6)
Operating lease rental expenses	(8.2)	(4.0)
Legal and professional fees	(24.0)	(30.7)
Property management expenses	(10.8)	(6.9)
Property maintenance and decoration expenses	(12.5)	–
Other expenses	(53.4)	(28.3)
<b>Total cost of sales and administrative expenses</b>	<b>(305.7)</b>	<b>(391.1)</b>

Note: The details of the share option scheme of the Company are set out on pages 41 to 46.

## 7. Other expenses

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Net exchange losses	(88.6)	(12.9)
Write off of goodwill	(42.0)	–
Provision for impairment loss on trade receivables	(0.4)	(0.5)
Impairment loss on intangible assets	(6.2)	–
Amortisation:		
– prepaid land lease payments	(32.7)	–
– concession rights and others	(3.4)	(0.1)
Pre-operating expenses:		
– infrastructure projects	(3.9)	(1.6)
– property development projects	(0.7)	(1.0)
Tendering costs	(1.8)	–
Other expenses	(9.9)	(1.1)
	<b>(189.6)</b>	(17.2)

## 8. Finance income and costs

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Interest expenses on bank loans and other borrowings		
Wholly repayable within 5 years	(55.2)	(14.4)
Not wholly repayable within 5 years	(51.0)	(63.4)
	<b>(106.2)</b>	(77.8)
Less: capitalised in property, plant and equipment	13.2	44.6
Finance costs	(93.0)	(33.2)
Finance income – interest income on bank deposits	39.4	23.3
Net finance costs	<b>(53.6)</b>	(9.9)

## 9. 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 (2007: 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 25% (2007: 15% to 33%).

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Current income tax		
Mainland China income tax	–	(0.7)
Over/(under) provision in prior years	1.1	(0.4)
	1.1	(1.1)
Deferred income tax (Note b)	(207.0)	(70.2)
	(205.9)	(71.3)

Notes:

- (a) Share of income tax of associated companies and jointly controlled entities amounting to HK\$0.8 million (2007: HK\$2.7 million) are included in the condensed consolidated interim income statement as share of profits less losses of associated companies and jointly controlled entities.
- (b) Included in deferred income tax was an amount of HK\$198.5 million arising from the net gain of land swap (Note 5).

## 10. Dividends

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Special dividend of HK2.0 cents per ordinary share paid in 2007	–	108.7
Interim dividend declared, of HK1.5 cents (2007: HK8.0 cents) per ordinary share	121.6	434.6
	121.6	543.3

On 10th September 2008, the board of directors declared an interim dividend of HK1.5 cents per ordinary share payable in the form of scrip with an option to elect cash. Failure to elect cash, all interim dividend will be paid in scrip shares. The interim dividend is not reflected as a dividend payable in this condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2008.

The 2007 special dividend of HK2.0 cents per ordinary share and the 2007 final dividend of HK1.5 cents per ordinary share, totalling HK\$283.7 million (2006: HK\$288.8 million) was approved at the annual general meeting held on 27th May 2008 and paid in June 2008. It has been reflected as an appropriation of retained earnings for the six months ended 30th June 2008.

## 11. 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	
	2008	2007
Profit attributable to equity holders of the Company (HK\$ Million)	293.4	603.3
Weighted average number of ordinary shares in issue (Million)	8,133.2	4,325.1
Basic earnings per share (HK cents per share)	3.6	13.9

### (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	
	2008	2007
Profit attributable to equity holders of the Company (HK\$ Million)	293.4	603.3
Weighted average number of ordinary shares in issue (Million)	8,133.2	4,325.1
Adjustments for share options (Million)	11.6	12.9
Weighted average number of ordinary shares for diluted earnings per share (Million)	8,144.8	4,338.0
Diluted earnings per share (HK cents per share)	3.6	13.9

## 12. Capital expenditure

	Investment properties HK\$ Million	Prepaid land lease payments HK\$ Million	Other property, plant and equipment HK\$ Million	Construction in progress HK\$ Million	Toll road HK\$ Million	Concession rights and others HK\$ Million
Six months ended 30th June 2007						
Opening net book amount at 1st January 2007	2,193.4	224.6	248.3	860.3	–	57.0
Exchange differences	84.9	7.9	8.2	30.9	–	–
Additions	–	3.5	124.2	227.3	–	–
Fair value adjustments	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	367.4	1,118.5	–	56.8

### Six months ended 30th June 2008

<b>Opening net book amount at 1st January 2008</b>	<b>2,922.2</b>	<b>2,259.8</b>	<b>921.0</b>	<b>820.4</b>	<b>–</b>	<b>56.6</b>
Exchange differences	178.4	196.8	59.0	60.2	–	–
Additions	–	26.7	15.3	101.8	481.8	31.5
Acquisition of subsidiaries	–	2,909.9	280.0	175.6	–	29.8
Transfer in/(out)	198.8	203.3	37.1	(1,156.6)	1,106.6	–
Disposals	–	–	(0.2)	–	–	–
Fair value adjustments	41.7	794.0	–	–	–	–
Depreciation and amortisation	–	(35.7)	(36.2)	–	(4.2)	(3.4)
Impairment	–	–	–	–	–	(6.2)
<b>Closing net book amount at 30th June 2008</b>	<b>3,341.1</b>	<b>6,354.8</b>	<b>1,276.0</b>	<b>1.4</b>	<b>1,584.2</b>	<b>108.3</b>

- (a) Amortisation expenses for prepaid land lease payments of HK\$2.0 million (2007: Nil) have been capitalised in property under development. There was no such amortisation expense (2007: HK\$3.7 million) capitalised in construction-in-progress under property, plant and equipment during the period ended 30th June 2008. Amortisation charge of HK\$1.0 million (2007: HK\$0.6 million) has been included in cost of sales and administrative expenses.
- (b) Depreciation expenses for property, plant and equipment of HK\$0.2 million (2007: HK\$1.3 million) have been capitalised in construction-in-progress under property, plant and equipment and of HK\$36.0 million (2007: HK\$11.9 million) have been charged in cost of sales and administrative expenses.
- (c) Concession rights and others represents the concession rights with a carrying amount of HK\$56.4 million (31st December 2007: HK\$56.6 million) and the biomass technology know-how, developed technology and customer relationships with a carrying amount of HK\$51.9 million (31st December 2007: Nil).

**13. Goodwill**

	HK\$ Million
Year ended 31st December 2007	
Opening net book amount at 1st January 2007 and closing net book amount at 31st December 2007	6.3
<b>Six months ended 30th June 2008</b>	
<b>Opening net book amount at 1st January 2008</b>	<b>6.3</b>
Acquisition of subsidiaries	<b>403.2</b>
Write off during the period	<b>(42.0)</b>
<b>Closing net book amount at 30th June 2008</b>	<b>367.5</b>

**14. Properties under development**

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
Land costs	<b>845.0</b>	1,139.6
Construction costs and capitalised expenditure	<b>294.6</b>	213.6
Amortisation of prepaid land lease payments	<b>2.0</b>	5.6
	<b>1,141.6</b>	1,358.8

Included in the properties under development is a deposit of HK\$843.2 million (31st December 2007: HK\$1,000.2 million) paid to acquire land use rights of which certificates are still in the progress of being obtained.

The properties under development are all located in the Mainland China.

## 15. Associated companies

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
Share of net assets	554.3	349.2
Amounts due from associated companies, net	711.4	687.7
Provision for impairment losses	(22.8)	(22.8)
	<b>1,242.9</b>	1,014.1

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\$90.6 million (31st December 2007: HK\$90.6 million) which bears interests at Hong Kong dollar prime rate (31st December 2007: Hong Kong dollar prime rate).

## 16. Jointly controlled entities

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
Share of net assets	1,027.5	1,041.8
Amounts due from/(to) jointly controlled entities, net	0.9	(11.9)
Portion due within one year, classified as current assets	–	(0.8)
Provision for impairment losses	(5.3)	(5.3)
	<b>1,023.1</b>	1,023.8

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

## 17. Non-current receivables and payables

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

## 18. Properties held for sale

At 30th June 2008, the carrying amount of properties held for sale that are carried at net realisable value amounted to HK\$7.3 million (31st December 2007: HK\$7.1 million).

## 19. Financial assets at fair value through profit or loss

Included in financial assets at fair value through profit or loss was the fair value of a Group's 49% investment in property development project in Tianjin made during 2008, amounting to HK\$315.7 million (31st December 2007: Nil).

## 20. Trade and other receivables

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
Trade receivables	108.5	115.9
Less: provision for impairment of receivables	(18.7)	(19.8)
Trade receivables, net	89.8	96.1
Bills receivable	15.7	10.7
Retention receivables	33.8	16.4
Other receivables and deposits, net of provisions	162.5	539.8
Deposit paid for a property development project	77.3	69.7
Gross amount due from customers for contract works	175.9	237.5
Amount due from a jointly controlled entity	–	0.8
Amounts due from related companies	4.8	7.2
	<b>559.8</b>	978.2

At 30th June 2008 and 31st December 2007, the ageing analysis of trade receivables, net of provision for impairment of receivables, is as follows:

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
0 to less than 2 months	7.1	24.9
2 to less than 6 months	13.2	1.5
6 to less than 12 months	0.7	0.3
12 months and more	68.8	69.4
	<b>89.8</b>	96.1

Various group companies have different credit policies depending on the requirements of their markets and the businesses which they operate.

## 21. Restricted cash

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
Restricted cash represents:		
Pledge given to the banks for securing bank facilities granted to certain buyers of properties of the Group	6.7	4.4
Pledge given to the banks for securing performance bonds and guarantee	47.6	47.9
Pledge given to the banks for securing certain bank loans	1,051.0	565.4
Escrow accounts for the acquisition of a property project which was released subsequent to 31st December 2007	–	891.2
	<b>1,105.3</b>	1,508.9

## 22. Share capital

	Note	Number of shares (Million)	Ordinary shares HK\$ Million
<b>Authorised</b>			
At 1st January 2007		10,000.0	100.0
Increased on authorised shares	(a)	20,000.0	200.0
At 31st December 2007 and 30th June 2008		30,000.0	300.0
<b>Issued and fully paid</b>			
At 1st January 2007		3,646.0	36.5
Shares placements	(b)	4,301.4	43.0
Issue of scrip dividend shares	(c)	274.3	2.8
Repurchase during the year	(d)	(8.9)	(0.1)
Exercise of bonus warrants	(e)	0.1	–
Exercise of share options	(f)	2.2	–
At 31st December 2007		8,215.1	82.2
<b>At 1st January 2008</b>			
Repurchase during the period	(g)	<b>(113.2)</b>	<b>(1.1)</b>
Exercise of bonus warrants	(e)	<b>0.3</b>	–
Exercise of share options	(f)	<b>4.5</b>	–
<b>At 30th June 2008</b>		<b>8,106.7</b>	<b>81.1</b>

## Notes to the condensed consolidated interim financial information

### 22. Share capital (continued)

Notes:

- (a) By an ordinary resolution passed on 23rd November 2007, the authorised share capital of the Company increased to HK\$300,000,000 by the creation of an additional 20,000,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- (b) During 2007, the Company entered into certain placing agreements pursuant to which a total of 4,301,399,000 new ordinary shares of HK\$0.01 each were issued to certain independent investors and substantial shareholders. All these shares issued during the year ranking pari passu in all respects with the then existing shares.

Issue date	Number of new ordinary shares issued	Issue price per ordinary share	Gross proceeds received HK\$ Million
12th February 2007	729,927,000	HK\$1.37	1,000.0
12th March 2007	437,595,000	HK\$1.37	599.5
23rd August 2007	450,000,000	HK\$2.80	1,260.0
23rd October 2007	1,997,560,000	HK\$2.05	4,095.0
23rd October 2007	686,317,000	HK\$2.273	1,560.0
	4,301,399,000		8,514.5

- (c) 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 cash dividend during the following dividend declaration and ordinary shares were issued under these schemes:

All shares issued during the year ranking 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 2007	96,025,788	HK\$2.703	20th November 2007
Final dividend for the year ended 31st December 2006	178,229,608	HK\$1.59	29th June 2007
	274,255,396		

- (d) During 2007, the Company repurchased a total of 8,858,000 of its own shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled as follows:-

Month/Year	Number of shares repurchased	Total purchase price HK\$ Million	Purchase price per share Highest HK\$	Lowest HK\$
August 2007	8,858,000	14.2	1.61	1.59

## 22. Share capital (continued)

(e) On 30th November 2007, the Company issued 821,279,383 warrants on the basis of one warrant for every ten existing shares of the Company held by the shareholders ("Bonus Warrants"). The holders of Bonus Warrants are entitled to subscribe at any time during 30th November 2007 to 30th November 2009 for fully paid shares at a subscription price HK\$2.05 per share (subject to adjustment). During 2007, 111,173 new ordinary shares of HK\$0.01 each were issued upon the exercise of 111,173 units of Bonus Warrants.

During the period ended 30th June 2008, 301,244 new ordinary shares of HK\$0.01 each were issued upon the exercise of 301,244 units of bonus warrants. As at 30th June 2008, 820,866,966 units of bonus warrants remained outstanding.

(f) The details of the share option scheme of the Company are set out on pages 41 to 46.

(g) During the period ended 30th June 2008, the Company repurchased a total of 113,198,000 of its own shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled as follows:-

Month/Year	Number of shares repurchased	Total purchase price HK\$ Million	Purchase price per share	
			Highest HK\$	Lowest HK\$
January 2008	61,266,000	105.0	1.87	1.52
March 2008	51,932,000	81.1	1.67	1.20
	113,198,000	186.1		

## 23. Borrowings

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
<b>Non-current</b>	<b>3,355.4</b>	2,458.7
<b>Current</b>	<b>783.0</b>	330.5
	<b>4,138.4</b>	2,789.2

## 23. Borrowings (continued)

Movements in borrowings are analysed as follows:

	HK\$ Million
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	2,883.7

### Six months ended 30th June 2008

<b>Opening amount at 1st January 2008</b>	<b>2,789.2</b>
Acquisition of subsidiaries	1,041.4
Exchange differences	158.2
New borrowings	595.7
Repayments of borrowings	(446.1)
<b>Closing amount as at 30th June 2008</b>	<b>4,138.4</b>

## 24. Trade and other payables

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
Trade payables	68.5	89.4
Retention payables	64.7	27.5
Other payables and accruals	1,045.0	567.3
Gross amount due to customers for contract works	36.8	36.4
	<b>1,215.0</b>	720.6

## 24. Trade and other payables (continued)

At 30th June 2008 and 31st December 2007, the ageing analysis of trade payables is as follows:

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
0 to less than 2 months	27.5	24.9
2 to less than 6 months	3.6	7.2
6 to less than 12 months	9.8	6.7
12 months and more	27.6	50.6
	<b>68.5</b>	89.4

## 25. Business combinations

- (i) On 4th March 2008, the Group completed to acquire 74.99% equity interest in Hong Kong Energy (Holdings) Limited (formerly known as J.I.C. Technology Company Limited) ("HKE"), a company listed on the main board of The Stock Exchange of Hong Kong Limited, at a cash consideration (including the professional fees) of HK\$413.4 million. HKE is currently engaged in the businesses of alternative energy and software development.

The acquired business did not significantly contribute to the Group's revenue and profit for both the period from the date of completion to 30th June 2008 and the period if the acquisition had occurred on 1st January 2008, except for the amount of HK\$42.0 million (the Group's share amounted to HK\$31.5 million) represented by the write off of goodwill.

Details of net assets acquired are as follows:

	HK\$ Million
Purchase consideration – cash paid	(413.4)
Fair value of net assets acquired (see below)	294.9
Goodwill arising on acquisition of a subsidiary, recognised as intangible assets	(118.5)

## 25. Business combinations (continued)

(i) (continued)

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

	Acquiree's carrying amount HK\$ Million	Fair value HK\$ Million
Property, plant and equipment and others	3.1	3.1
Intangible assets	29.8	29.8
Goodwill	42.0	42.0
Cash and cash equivalents	338.2	338.2
Trade payables	(4.2)	(4.2)
Bank borrowings	(7.0)	(7.0)
Deferred tax and income tax liabilities	(8.6)	(8.6)
	393.3	393.3
74.99% of net assets acquired		294.9
Purchase consideration – cash paid		(413.4)
Cash and cash equivalents in subsidiary acquired		338.2
Net cash outflow on acquisition		(75.2)

(ii) On 26th May 2008, the Group completed to acquire an aggregate 60% equity interest in Shanghai Guangtian Real Estate Development Limited (“Shanghai Guangtian”) and certain shareholders’ loans at an aggregate cash consideration of approximately RMB1.5 billion (equivalent to approximately HK\$1.7 billion). Shanghai Guangtian is a property company engaged in developing a parcel of land located at No. 4 Sichuan North Road of Hongkou District of Shanghai Municipality.

The acquired business did not significantly contribute to the Group’s revenue and profit for both the period from the date of completion to 30th June 2008 and the period if the acquisition had occurred on 1st January 2008.

## 25. Business combinations (continued)

(ii) (continued)

Details of net assets acquired are as follows:

	HK\$ Million
Purchase consideration – cash paid	(1,694.9)
Less : Consideration for shareholders' loans assigned	1,078.7
	(616.2)
Fair value of net assets acquired (see below)	746.5
Excess of purchase consideration over fair value of net assets acquired	130.3
Deferred tax liabilities in respect of revaluation of properties	(240.9)
Goodwill arising on acquisition of a subsidiary, recognised as intangible assets	(110.6)

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

	<b>Acquiree's carrying amount HK\$ Million</b>	<b>Fair value HK\$ Million</b>
Property, plant and equipment and others	1.5	1.5
Prepaid land lease payments	1,230.8	2,836.8
Cash and cash equivalents	111.6	111.6
Other payables	(1.0)	(1.0)
Shareholder's loan	(1,078.7)	(1,078.7)
Other loans	(625.9)	(625.9)
	(361.7)	1,244.3
60.0% of net assets acquired		746.5
Purchase consideration – cash paid		(1,694.9)
Cash and cash equivalents in subsidiary acquired		111.6
Net cash outflow on acquisition		(1,583.3)

## 25. Business combinations (continued)

- (iii) On 11th April 2008, the Group completed to acquire 100% equity interest in Clear Concept Holdings Limited which holds an effective interest of 70.65% in Chongqing Huanqiu Petrochemical Company Limited (“Chongqing Huanqiu”). The aggregate cash consideration was RMB163.4 million (equivalent to approximately HK\$180.8 million). Chongqing Huanqiu is currently engaged in the manufacture, production and sale of industrial ethanol.

The acquired business did not significantly contribute to the Group’s revenue and profit for both the period from the date of completion to 30th June 2008 and the period if the acquisition had occurred on 1st January 2008.

Details of net assets acquired are as follows:

	HK\$ Million
Purchase consideration – cash paid	(180.8)
Fair value of net assets acquired (see below)	180.8
Goodwill arising on acquisition of a subsidiary, recognised as intangible assets	–

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

	Acquiree’s carrying amount HK\$ Million	Fair value HK\$ Million
Land and building	146.1	146.1
Property, plant and equipment and others	212.4	212.4
Goodwill	98.3	98.3
Cash and cash equivalents	36.5	36.5
Trade and other payables	(31.7)	(31.7)
Bank borrowings and other loans	(216.7)	(216.7)
Minority interests	(64.1)	(64.1)
	180.8	180.8
Net assets acquired		180.8
Purchase consideration – cash paid		(180.8)
Cash and cash equivalents in subsidiary acquired		36.5
Net cash outflow on acquisition		(144.3)

## 25. Business combinations (continued)

- (iv) On 18th January 2008, the Group completed to acquire an effective interest of 70.9% in The Legation Quarter Limited (“Legation”) at a cash consideration of US\$10.4 million (equivalent to approximately HK\$81.0 million). Legation is currently engaged in the catering and leasing business.

The acquired business did not significantly contribute to the Group’s revenue and profit for both the period from the date of completion to 30th June 2008 and the period if the acquisition had occurred on 1st January 2008.

Details of net assets acquired are as follows:

	HK\$ Million
Purchase consideration – cash paid	(81.0)
Fair value of net assets acquired (see below)	47.2
Goodwill arising on acquisition of a subsidiary, recognised as intangible assets	(33.8)

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

	<b>Acquiree's carrying amount HK\$ Million</b>	<b>Fair value HK\$ Million</b>
Property, plant and equipment and others	3.2	3.2
Construction in progress	175.6	175.6
Cash and cash equivalents	147.7	147.7
Trade and other payables	(68.1)	(68.1)
Bank borrowings and other loans	(191.8)	(191.8)
	66.6	66.6
70.9% of net assets acquired		47.2
Purchase consideration – cash paid		(81.0)
Cash and cash equivalents in subsidiary acquired		147.7
Net cash inflow on acquisition		66.7

## 26. Contingent liabilities

The Group's investment property located in Shenzhen, China is subject to housing facility fund pursuant to 《深圳經濟特區住宅區物業管理條例》 adopted on 1st November 1994. Contingent liabilities of RMB75.8 million (equivalent to approximately HK\$86.2 million) (31st December 2007: RMB75.8 million (equivalent to approximately HK\$81.3 million)) arising in this respect have been assessed by management with reference to a legal opinion. Management have requested relief from the relevant local government authorities on the grounds that certain amounts of maintenance costs were already spent for the purposes as specified under the requirement of housing facility fund, hence no further provision for the fund is considered necessary.

## 27. Capital commitments

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

	As at	
	30th June 2008 HK\$ Million	31st December 2007 HK\$ Million
Capital commitments undertaken by the Group		
Property, plant and equipment		
Contracted but not provided for	846.6	186.6
Authorised but not contracted for	55.8	–
Property development projects		
Contracted but not provided for	455.0	631.9
Capital contribution to joint venture projects in alternative energy		
Authorised but not contracted for	378.5	–
	<b>1,735.9</b>	818.5
Capital commitments undertaken by the jointly controlled entities		
Property development projects		
Contracted but not provided for the Group's share	25.0	28.3

## 28. Related-party transactions

The material related-party transactions during the period under review were:–

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Income from supply of water to Jinhai Paper Pulping Industrial Company Limited (Note a)	15.3	11.5
Interest paid on shareholders' loans		
– Creator Holdings Limited (Note b)	(0.1)	(1.0)
– Genesis Capital Group Limited (Note c)	(3.1)	–
	(3.2)	(1.0)

(a) 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. Income from Jinhai was conducted on terms as set out in the agreement governing this transaction.

(b) Hong Kong Construction (Hong Kong) Limited (“HK Co”), a wholly-owned subsidiary of the Company, entered into various loan agreements with Creator Holdings Limited (“Creator”) under which HK Co might borrow up to HK\$800.0 million or its equivalent in other currency from Creator during a period of 36 months from the date of the agreement. The loan was unsecured and had no fixed repayment terms during the loan period. The interest was paid on terms as set out in the agreements.

As at 30th June 2008, the outstanding amount due to Creator was HK\$38.1 million (31st December 2007: Nil).

(c) On 8th October 2007, the Company entered into a revolving loan agreement with Genesis Capital Group Limited (“Genesis”), one of the substantial shareholders, under which the Company might borrow up to HK\$1,000 million for a period of 36 months from the date of such agreement. The loan was unsecured and had no fixed repayment terms during the loan period. The interest was paid on terms as set out in the agreement.

As at 30th June 2008, the outstanding amount due to Genesis was HK\$100.0 million (31st December 2007: Nil).

(d) As at 30th June 2008, there was an outstanding amount due to a shareholder amounted to RMB10.0 million (equivalent to approximately HK\$11.4 million) (31st December 2007: Nil). The loan was unsecured and interest free. The amount is repayable within 12 months.

## 28. Related-party transactions (continued)

(e) Key management compensation

	Six months ended 30th June	
	2008 HK\$ Million	2007 HK\$ Million
Directors' fees	0.3	0.1
Salaries	12.2	7.3
	<b>12.5</b>	7.4

## 29. Events after the balance sheet date

- (a) In July 2008, the tender for a wind power project in Jiuquan, Gansu Province, jointly submitted with China Energy Conservation Investment Corporation ("CECIC"), was accepted by the local government authorities. The Group and CECIC will establish a joint venture to invest in, construct and operate a wind power plant with a total of capacity of 201MW. The Group and CECIC will contribute 40% and 60% of the registered capital respectively for the project, with a total investment of approximately RMB1.7 billion (equivalent to approximately HK\$1.9 billion).
- (b) In August 2008, the Group's non-wholly owned subsidiary entered into a joint venture agreement with a subsidiary of CECIC for setting up a joint venture company in China, for the purpose of investing in, constructing and operating project of 100MW wind farm in Lunaobao, Zhangbei County, Hebei Province. The subsidiary will contribute 30% of the proposed registered capital of the project, amounted to RMB97.0 million (equivalent to approximately HK\$110.3 million).
- (c) In September 2008, the Group's non-wholly owned subsidiary entered into a framework agreement and a capital contribution agreement with a subsidiary of CECIC to invest and develop a 201MW wind farm in China at Changma, Gansu Province. The subsidiary will initially contribute 30% of the project's registered capital and may acquire a further 10% stake. The amount of registered capital is not yet determined in the capital contribution agreement.

## 30. Comparative figures

Certain comparative figures as set out in the condensed consolidated interim income statement and the related notes thereto have been reclassified to conform with the current period's presentation.

# Report on review of interim financial information



羅兵咸永道會計師事務所

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**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 3 to 34, which comprises the condensed consolidated interim balance sheet of HKC (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2008 and the related condensed consolidated interim 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, 10th September 2008

# Management discussion and analysis

## Financial review

For the six months ended 30th June 2008, turnover for the Group amounted to HK\$111.6 million, a decrease of 64.7% as compared with turnover of HK\$315.9 million for the same period in 2007. Gross profit of HK\$32.8 million for the period also represented a decrease when compared with gross profit of HK\$52.9 million in the same period last year, primarily because of an expected decrease in revenue generated from the construction sector.

Net profit attributable to equity holders of the Group amounted to HK\$293.4 million for the period under review (2007: HK\$603.3 million). The decrease is primarily due to the combined effects of (i) Credit tightening depressed property prices in southern China. As a result, HKC was not able to replicate the large revaluation gains (HK\$309.8 million) on its investment properties that it recorded in the first half of 2007 and (ii) The write-off of goodwill contained in a newly acquired subsidiary. Offsetting these negatives, and clearly reflecting the value of the Group's undervalued landbank, HKC made significant gains from the land swap and disposal of an interest in its Tianjin properties.

Basic earnings per share amounted to HK3.6 cents (2007: HK13.9 cents). The decrease relates to the substantial increase in the number of outstanding shares in 2008 given HKC's fundraising activities in late 2007. HKC's book value increased to HK\$1.71 per share.

## Liquidity and financial resources

As at 30th June 2008, the Group's total borrowings amounted to HK\$3,907.1 million, representing a rise of 44.2% when compared with the equivalent figure of HK\$2,710.2 million as at 31st December 2007. Total borrowings as at 30th June 2008 included Hong Kong Dollar borrowings of HK\$199.7 million (31st December 2007: HK\$63.0 million) and Renminbi borrowings equivalent to HK\$3,707.4 million (31st December 2007: HK\$2,647.2 million).

The maturity dates for most of the Group's outstanding borrowings are spread over the next five years, with HK\$794.4 million repayable within one year or on demand, HK\$1,627.6 million repayable within two to five years, and HK\$1,485.1 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 2008, the Group had restricted cash of HK\$1,105.3 million (31st December 2007: HK\$1,508.9 million) and unrestricted cash and cash equivalents amounting to HK\$3,166.4 million (31st December 2007: HK\$4,416.0 million).

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\$2,452.1 million (31st December 2007: HK\$1,815.6 million) as security for bank and other loans.

## Gearing ratio

The Group maintained a net cash position of approximately HK\$364.6 million as at 30th June 2008, compared with the net cash position of approximately HK\$3,214.7 million as at 31st December 2007. This ratio represents total borrowings (excluding the amounts due to minority shareholders) less cash and cash equivalents (including restricted cash), divided by total equity.

## Business review

The six-month period under review was a significant one for the Group. The Group acquired a new listed entity as an intended flagship for its various alternative energy projects over coming years. The new company, Hong Kong Energy (Holdings) Limited (“HKE”), looks set to benefit from the many mainland China government initiatives promoting use of alternative energy, and has already ventured into a number of promising projects. Its connection with several well-established HKC alternative energy projects, and its team of experienced personnel at the helm, have ensured early recognition for HKE as one of China’s leading alternative energy players.

On the property side, the Group continued to prove its credentials as one of China’s foremost property developers. It made several acquisitions for its land bank, taking advantage of the downturn in the property market to acquire properties at reasonable prices. Meanwhile, existing development projects started over the past year or two have moved forward strongly, and the Group is now on the verge of generating solid and ongoing returns.

## Property investment, development and management

In the period under review, the Group continued to manage its existing property investment portfolio, which consists largely of premium property projects in Shenzhen and Guangzhou. These investment properties continued to generate a steady stream of rental revenue.

### *HKC less affected from the credit squeeze*

In the face of worries about inflation, the PRC government recently initiated a series of credit-tightening measures, with a particular focus on property developers. These measures have had their desired effects, slowing unbridled growth and checking prices. At the same time they have created liquidity problems for a number of property developers.

For HKC, the credit squeeze has been far less of an issue than for many comparable players in the property market as the Group is in a net cash position and does not face the same pressure as other developers that must sell completed properties at lower than expected prices in order to repay their debts.

In fact, the Group was able to take advantage of the property downturn when it acquired an aggregate 60% equity interest in Shanghai Guangtian Real Estate Development Company Limited, a property company engaged in developing land at No. 4 Sichuan North Road in Shanghai’s Hongkou District. Sichuan Road, together with Nanjing Road and Huaihai Road, form one of Shanghai’s renowned traditional shopping districts, and hence sites in this area tend to be very difficult to find at reasonable prices.

The prime Sichuan Road site is situated a mere five or ten-minute stroll from the Bund and the East Nanjing Road shopping district. Located on the north side of the Suzhou River, the site looks across to the Peninsula Shanghai and Rockefeller projects, both currently under development, to which it is connected via the Zhapu Road and Sichuan Road Bridges. Tenants of the site’s planned office towers will enjoy panoramic views of Pudong, the Bund, Nanjing Road, and the passenger cruise terminal along the Huangpu River.

The site also enjoys excellent access to transport links. The Sichuan Road Station, on subway Line 12, will provide direct connections with the site’s below-ground area. In addition, several tunnels connecting the area around the site with the Bund are currently being built: one of the tunnel exits, the Wuxong Road Exit, is right next to the Group’s site. The area also has good access to major roads, as well as to the Huangpu River tunnel. Though centrally located, the excellent transport links mean that it is easy to get from the site to both the Shanghai Hongqiao and Shanghai Pudong Airports.

The site has a total GFA of approximately 152,000 sq.m., which the Group plans to develop as an integrated commercial-retail complex. This will be in the form of two office buildings, neither exceeding 120 meters in height, and a ground-level shopping arcade. The office GFA will be 144,000 sq.m., and retail space GFA will be 8,000 sq.m.. In addition, the complex will have an underground carpark with capacity for 1,300 vehicles. Construction work is expected to begin conditionally in 2008.

## Management discussion and analysis

### Business review (continued)

#### Property investment, development and management (continued)

*Focus on commercial properties in prime areas provides further safety*

HKC has made commercial properties a core focus of the company, with the aim of having commercial properties account for about 70% of the company's real estate portfolio. This in contrast to most mainland developers that prefer to focus on residential. While the construction and sale of residential properties may generate quicker returns during bull markets, they are much riskier during downturns compared to owning prime commercial property for long term cashflow.

This situation is now reflected in China's property markets. Commercial properties are performing far better than residential properties. For example, in Guangzhou, luxury residential prices have dropped about 14% since the fourth quarter of 2007; whereas rents in Shanghai for prime offices, an area that is HKC's focus, have increased 15% during the same period, with the sales price for prime offices in Shanghai rising about 13%.

*Unlocking value in HKC's land bank*

The Group's astute land acquisitions in recent years have enabled it to build up a strong and valuable land bank with great potential for development. The value of this landbank is clearly not reflected in the Group's HK\$1.71 per share book value. For instance, HKC made significant gains when it swapped its land next to the Tianjin Olympic Sports Centre for another nearby site designated for residential development. In March 2008 the Group entered into a sale and purchase agreement with CB Richard Ellis Strategic Partners Asia II, LP ("CBRE"), a wholly-owned subsidiary of CB Richard Ellis Group, Inc.. This agreement saw the Group transfer to CBRE a 25% interest in the new swapped site at Hong Qi Nan Road, in Tianjin's Nankai District. The consideration paid was US\$42.2 million (equivalent to approximately HK\$329.2 million). The site at Hong Qi Nan Road covers approximately 77,961 sq.m., and will be developed into a commercial property containing both serviced and regular apartments.

In addition, HKC gains a valuable partner in CBRE, whose extensive global sales network and in-depth professional property expertise suggests that the Group has gained a very effective sales agent partner for this particular development.

The profit that the Group reaped from its sale of the 25% stake reflects the overall level of quality and potential of HKC's land bank. This innate land value is not truly reflected in the Group's balance sheet, as its major development projects have yet to come onto the market. The CBRE sale, however, is a clear sign of the potential locked into the Group's land bank ready to be released upon final development. The Group believes that the hidden value of its land bank sites, such as those in North Bund and Sichuan Road in Shanghai and Tuanbo Lake in Tianjin, will become very clear once its projects begin to come onto the market.

*Making progress with high-potential developments*

The Group has made good progress with current and ongoing development projects during the period under review. One major project is taking place in the Nanxun Economic Development District in Huzhou City, Zhejiang Province. There, construction of the Group's furniture supply and building materials complex is well advanced. The complex will centralize the scattered suppliers of furniture and building materials for which the Nanxun District is well known. The Group plans to launch pre-sales for the complex by the end of 2008, generating cash for the Group.

#### Alternative energy

The Group has long been aware of the high potential of its ventures into the alternative energy industry, and of the value of clearly distinguishing between its property and energy operations. With a view to moving towards this goal, in the first half of 2008 it completed acquisition of 74.99% of the issued share capital of HKE. This company, listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), was formerly known as J.I.C. Technology Company Limited. The Group's intention is from now on to channel further investments in alternative energy businesses through its new listed company, making HKE its principal vehicle for wind power, biofuel and biomass projects. The Group believes this move is strategically appropriate, offering secure long-term expansion funding for development within an industry with immense potential.

## **Business review** (continued)

### **Alternative energy** (continued)

HKE has been quick to immerse itself in alternative energy development. In its first initiative, during the period under review HKE signed a framework agreement with a wholly-owned subsidiary of the China Energy Conservation Investment Corporation (“CECIC”) to jointly invest in and develop a 100MW wind farm at Lunaobao, in Zhangbei, Hebei Province. Total investment in this project is planned at approximately RMB950.8 million (equivalent to approximately HK\$1,081.2 million) and the registered capital is expected to be approximately RMB323.3 million (equivalent to approximately HK\$367.7 million). HKE will contribute 30% of the registered capital.

HKE is in the progress of obtaining approval from the Development and Reform Commission of Siziwang Qi to establish a 50MW wind farm at Siziwang Qi, Wulanchabu City, in China’s Inner Mongolia Autonomous Region. Total investment will amount to approximately RMB480.5 million (equivalent to approximately HK\$546.4 million).

During the first half, the Group acquired a majority stake in an ethanol plant in Chongqing. The plant currently has the capacity to produce 100,000 tons of ethanol per year, with the potential to be expanded to produce 600,000 tons per year. The advantage of this plant is that it will use tapioca as its feedstock, a crop that the government accepts as a non food feedstock. Given the government’s desire to increase biofuel supply, but its concern about inflationary pressure from using food crops like corn as a feedstock, the use of tapioca is a good solution. This biofuel project is currently in the process of applying for a fuel ethanol license.

In addition, HKE has signed a Cellulosic-Ethanol Technology Co-operation Agreement with GeneHarbour (Hong Kong) Technologies Limited (“GeneHarbour”). The agreement will see HKE investing in a pilot cellulosic ethanol project, using Cellulosic Ethanol Technology developed by GeneHarbour. If the pilot plant is proved successful, the technology could be used to produce ethanol at a reasonable price from non food plant materials that are normally wasted such as corn stalks and sugar cane leaves, and would therefore make a major contribution to providing China a new source of energy.

A number of other alternative energy projects currently remain under the HKC umbrella. These include two 30MW wind power stations in Heilongjiang, on which construction has been completed. The power stations began producing electricity in late 2007, and they are now running smoothly and generating revenues for the Group. This move from planning and construction to successful operation of major wind power stations has been a significant milestone in the Group’s move into the alternative energy sector.

HKC also continued its joint venture with the China National Environmental Protection Corporation, a wholly-owned subsidiary of CECIC, to operate a waste-to-energy plant in Shandong with a 25MW output capacity. The Group has a 40% stake in this venture, and CECIC a 60% one. The plant has now begun operating and is generating revenues, which arise from production of electricity, treatment of garbage and trading within the Clean Development Mechanism.

### **Infrastructure**

The Group’s water supply plant in the Yangpu Economic Development Zone in Hainan continued to operate smoothly and bring the Group stable returns. It is the sole supplier of raw water for industrial use in the area, giving the Group a source of regular, reliable long-term revenues.

The Group’s other major infrastructure project, its Build-Operate-Transfer toll road project in Guilin linking with China’s Western Expressway, has now been completed.

### **Construction**

The Group is currently carrying out drainage improvements in the Tuen Mun and Sham Tseng areas of Hong Kong as part of a contract from the Drainage Services Department of the HKSAR government.

## **Outlook**

Looking forwards, the Group’s focus will be on executing its existing projects, and a little less focused on acquiring land, although if a distressed property is available at a good price, HKC would consider the opportunity. In addition, given the undervalued nature of the Group’s landbank, HKC may sell equity stakes in some of its landbank in order to monetize the value of the land and to raise cash that could be used to buy assets at distressed prices.

## Management discussion and analysis

### Outlook (continued)

#### Property investment, development and management

The government's recent tightening policies applied to the PRC property market have had a general impact on the property development sector, reining in speculation and over-rapid growth. From the Group's perspective, the new policies have a number of positive effects. In particular, they are weeding out weaker players from the market, and in the process providing the Group with new opportunities to acquire high-grade land bank in several key cities of China at reasonable prices.

Last year, the Group increased its shareholding in Shanghai Jingang North Bund Real Estate Company Limited from 10% to 25%. This company is principally engaged in developing a complex comprising a hotel, shopping mall and office premises on a 56,670 sq.m. site in Hongkai in Shanghai, situated along the north side of the International Cruise Terminal. Construction on the project is scheduled to start from the 4th quarter 2008.

In March 2008 the Group acquired a 60% share interest in a project to construct a commercial/retail complex on a prime piece of land in Sichuan Road, Shanghai, described earlier. Design work relating to the project is currently being carried out.

The next stage of the Group's property project along the eastern shore of Tuanbo Lake in Jinhai County, Tianjin, will begin shortly. This will involve reclaiming part of the lake in preparation for construction. Also in Tianjin, site formation for the Group's residential property project on Hongqinan Road in Nankai District is scheduled to begin in October 2008.

Site formation at the Group's commercial site at the centre of Nanjing North Road in Shenyang's Heping District has been started. Meanwhile, the Group's residential site next to Shenyang Central Park continues at the planning stage.

Elsewhere, the Group is investigating opportunities in Qingdao, and may make acquisitions in the city.

#### Alternative energy

With the acquisition of HKE, the Group has created a convenient vehicle for handling its alternative energy projects. A number of alternative energy projects currently remain within the HKC Group however, for practical reasons. The Group will investigate the options for further restructuring its alternative energy projects in the future, with the aim of generating operational synergies and similar benefits.

As far as those alternative energy projects that remain under the wing of HKC are concerned, several developments are in the pipeline. In the first half, HKC and CECIC signed a joint venture agreement to construct a phase 1 wind power project in Chongma, Gansu Province. The wind power plant will have a total capacity of 201MW. The Group and CECIC will contribute 40% and 60% respectively of the registered capital for the project, with a total investment of approximately RMB1.7 billion (equivalent to approximately HK\$1.9 billion).

Development of the first 50MW wind power plant in the Siziwang Qi area of Inner Mongolia has already been stated.

HKC together with its new subsidiary HKE have invested widely in projects across the alternative energy sector, as various forms of alternative energy begin to emerge as practical and profitable alternatives to fossil fuels for today's China. The Group believes that China's government will continue to promote the development and use of sustainable and non-polluting energy resources through ongoing government policies and economic incentives, and that the benefits of alternative energy will come to be widely socially recognized as well. As this shift continues, HKC and HKE intend to be at the forefront of alternative energy development in China. Initially they have placed their focus on wind power, and together are now amongst China's major players in the burgeoning wind power industry. In addition, the two companies have interests in waste-to-energy projects and biofuel research and production. As a result, they are looking to play a significant role in China's future efforts to develop a sustainable and environmentally friendly energy policy.

#### Contingent liabilities

The details of the contingent liabilities of the Group are set out in Note 26 to the condensed consolidated interim financial information.

#### Employees

As at the end of June 2008, the Group employed approximately 530 employees across its operations in Hong Kong and mainland China. It 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.

## Other information

### Share options

#### Share options of the Company

The Company's existing share option scheme was adopted on 16th June 2006. Details of the grant of share options and the movements of the outstanding share options during the period were as follows:–

Name	Nature of interest	Outstanding at 1st January 2008	Number of share options			Outstanding at 30th June 2008	Date of grant	Exercise period	Exercise price per share HK\$	Closing price per Share immediately before the date of grant HK\$
			Granted	Exercised	Cancelled/ Lapsed					
<b>Directors</b>										
<i>(Notes 1 to 4)</i>										
Oei Kang, Eric ("Mr. Oei")	Personal	562,500	–	–	–	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		937,500	–	–	–	937,500	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		–	300,000	–	–	300,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		–	450,000	–	–	450,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		–	750,000	–	–	750,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
		562,500	–	–	–	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
	Family	937,500	–	–	–	937,500	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		–	300,000	–	–	300,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		–	450,000	–	–	450,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		–	750,000	–	–	750,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
		562,500	–	–	–	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		937,500	–	–	–	937,500	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
Chen Libo ("Mr. Chen")	Personal	4,000,000	–	–	–	4,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		6,500,000	–	–	–	6,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		2,500,000	–	–	–	2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420	1.410
		–	2,400,000	–	–	2,400,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		–	3,600,000	–	–	3,600,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		–	6,000,000	–	–	6,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630

## Other information

### Share options (continued)

#### Share options of the Company (continued)

Name	Nature of interest	Outstanding at 1st January 2008	Number of share options			Outstanding at 30th June 2008	Date of grant	Exercise period	Exercise price per share HK\$	Closing price per Share immediately before the date of grant HK\$
			Granted	Exercised	Cancelled/ Lapsed					
<b>Directors</b>										
<i>(Notes 1 to 4)</i>										
Tsang Sai Chung, Kirk ("Mr. Tsang")	Personal	3,000,000	-	(1,000,000)	-	2,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		5,000,000	-	-	-	5,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		-	1,600,000	-	-	1,600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	2,400,000	-	-	2,400,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		-	4,000,000	-	-	4,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Chan Kwok Fong, Joseph ("Mr. Chan")	Personal	1,000,000	-	-	-	1,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		1,500,000	-	-	-	1,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		2,500,000	-	-	-	2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420	1.410
		-	1,600,000	-	-	1,600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	2,400,000	-	-	2,400,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
-	4,000,000	-	-	4,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630		
Tang Sau Wai, Tom ("Mr. Tang")	Personal	3,600,000	-	-	-	3,600,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		5,900,000	-	-	-	5,900,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		1,500,000	-	-	-	1,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420	1.410
		-	800,000	-	-	800,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	1,200,000	-	-	1,200,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
-	2,000,000	-	-	2,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630		

## Share options (continued)

### Share options of the Company (continued)

Name	Nature of interest	Outstanding at 1st January 2008	Number of share options			Outstanding at 30th June 2008	Date of grant	Exercise period	Exercise price per share HK\$	Closing price per Share immediately before the date of grant HK\$
			Granted	Exercised	Cancelled/ Lapsed					
<b>Directors</b>										
<i>(Notes 1 to 4)</i>										
Chau Wing Hing ("Mr. Chau")	Personal	600,000	-	-	-	600,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		900,000	-	-	-	900,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		1,500,000	-	-	-	1,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420	1.410
		-	1,000,000	-	-	1,000,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	1,500,000	-	-	1,500,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		-	2,500,000	-	-	2,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Shi Jihua ("Mr. Shi")	Personal	1,800,000	-	-	-	1,800,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		3,000,000	-	-	-	3,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		-	640,000	-	-	640,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	960,000	-	-	960,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		-	1,600,000	-	-	1,600,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Fan Yan Hok, Phillip ("Mr. Fan")	Personal	-	600,000	-	-	600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	900,000	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		-	1,500,000	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630

## Other information

### Share options (continued)

#### Share options of the Company (continued)

Name	Nature of interest	Outstanding at 1st January 2008	Number of share options			Outstanding at 30th June 2008	Date of grant	Exercise period	Exercise price per share HK\$	Closing price per Share immediately before the date of grant HK\$
			Granted	Exercised	Cancelled/ Lapsed					
<b>Directors</b>										
<i>(Notes 1 to 4)</i>										
Chung Cho Yee, Mico ("Mr. Chung")	Personal	-	600,000	-	-	600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	900,000	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		-	1,500,000	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Cheng Yuk Wo ("Mr. Cheng")	Personal	-	600,000	-	-	600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	900,000	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		-	1,500,000	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Albert Thomas Da Rosa, Junior ("Mr. Da Rosa")	Personal	-	600,000	-	-	600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	900,000	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		-	1,500,000	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
<b>Sub-total</b>		<b>47,800,000</b>	<b>55,200,000</b>	<b>(1,000,000)</b>	<b>-</b>	<b>102,000,000</b>				

## Share options (continued)

### Share options of the Company (continued)

Name	Nature of interest	Number of share options				Outstanding at 30th June 2008	Date of grant	Exercise period	Exercise price per share HK\$	Closing price per Share immediately before the date of grant HK\$
		Outstanding at 1st January 2008	Granted	Exercised	Cancelled/ Lapsed					
Employees and other participants (Notes 1 to 4)		20,500,000	-	(3,500,000) (Note 6)	(2,700,000)	14,300,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		35,650,000	-	-	(6,500,000)	29,150,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		32,750,000	-	-	-	32,750,000	15th December 2006	15th December 2009 to 14th December 2016	1.420	1.410
		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
		5,000,000	-	-	-	5,000,000	3rd July 2007	15th December 2007 to 2nd July 2017	2.300	2.180
		2,500,000	-	-	-	2,500,000	3rd July 2007	15th December 2008 to 2nd July 2017	2.300	2.180
		2,500,000	-	-	-	2,500,000	3rd July 2007	15th December 2009 to 2nd July 2017	2.300	2.180
		1,800,000	-	-	(1,800,000)	-	3rd July 2007	3rd July 2008 to 2nd July 2017	2.300	2.180
		2,700,000	-	-	(2,700,000)	-	3rd July 2007	3 July 2009 to 2 July 2017	2.300	2.180
		4,500,000	-	-	(4,500,000)	-	3rd July 2007	3rd July 2010 to 2nd July 2017	2.300	2.180
		-	31,940,000	-	-	31,940,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		-	47,910,000	-	-	47,910,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
	-	79,850,000	-	-	79,850,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630	
<b>Sub-total</b>		<b>117,900,000</b>	<b>159,700,000</b>	<b>(3,500,000)</b>	<b>(18,200,000)</b>	<b>255,900,000</b>				
<b>Total</b>		<b>165,700,000</b>	<b>214,900,000</b>	<b>(4,500,000)</b>	<b>(18,200,000)</b>	<b>357,900,000</b>				

## Other information

### Share options (continued)

#### Share options of the Company (continued)

Notes:

1. Mr CHENG Sum Hing, Sam resigned as an executive director of the Company with effect from 29th June 2007. The details of the outstanding options held by Mr Cheng during the period ended 30th June 2008 were accounted and described under the heading "Employees and other participants". Such details were accounted and described under Mr Cheng's name in the annual report for the year ended 31st December 2007.
2. Mr NG Chi Man, Michael resigned as an executive director of the Company with effect from 15th June 2008. The details of the outstanding options held by Mr Ng during the period ended 30th June 2008 were accounted and described under the heading "Employees and other participants". Such details were accounted and described under Mr Ng's name in the annual report for the year ended 31st December 2007.
3. Mr CHAU Wing Hing was appointed as an executive director of the Company with effect from 15th June 2008. The details of the outstanding options held by Mr Chau during the period ended 30th June 2008 were accounted and described under Mr Chau's name. Such details were accounted and described under the heading "Employees and other participants" in the annual report for the year ended 31st December 2007.
4. Mr SHI Jihua was appointed as an executive director of the Company with effect from 15th June 2008. The details of the outstanding options held by Mr Shi during the period ended 30th June 2008 were accounted and described under Mr Shi's name. Such details were accounted and described under the heading "Employees and other participants" in the annual report for the year ended 31st December 2007.
5. The weighted average closing price of the Shares of the Company immediately before the date on which the share options were exercised was HK\$2.180.
6. The weighted average closing price of the Shares of the Company immediately before the date on which the share options were exercised was HK\$1.757.

Using the Binominal Valuation model, the fair value of 214,900,000 share options granted on 1st February 2008 was HK\$112.1 million for the period under review. The significant inputs into the model were share price of HK\$1.64 at the grant date, exercise price of HK\$1.656, volatility of 56.0%, dividend yield of 6.3%, an expected option life of 10 years and on normal risk-free interest rate of 2.601%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over the last 12 months. The vesting period is between 1st February 2008 to 31st January 2011. The value of the share options is subject to a number of assumptions and with regard to the limitation of model. Therefore, the value may be subjective and difficult to determine. The assumptions of calculation of fair value of HK\$56.6 million granted on 15th December 2006 were described in Note 11 (c) of the annual financial statements for year ended 31st December 2006. The assumptions of calculation of fair value of HK\$19.7 million of share options granted on 7th June 2007 and 3rd July 2007 were described in Note 10 (c) of the annual financial statements for the year ended 31st December 2007.

Save as disclosed above, no share option of the Company was grant, exercised, cancelled nor lapsed by directors and employees during the six months ended 30th June 2008.

#### Share options of the subsidiary of the Company

At the annual general meeting of Hong Kong Energy (Holdings) Limited ("HKE"), the subsidiary of the Company, held on 27th May 2008, HKE's share option scheme adopted on 16th April 2002 (the "Old Option Scheme") was terminated and a new share option scheme (the "New Option Scheme") was adopted by the shareholders of the Company. Up to at 30th June 2008, no options had been granted under HKE's Old Option Scheme and New Option Scheme.

## Directors' interests

As at 30th June 2008, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (i) Long positions in the shares and underlying shares of the Company

Name of Directors	Nature of interest	Number of shares	Approximate percentage of the existing issued share capital of the Company
Mr. Oei	Personal	192,940,410 <sup>1</sup>	2.380%
	Corporate	3,273,607,001 <sup>2</sup>	40.381%
	Joint	5,262,735 <sup>3</sup>	0.065%
	Family	3,000,000 <sup>4</sup>	0.037%
Mr. Chen	Personal	102,064,394 <sup>5</sup>	1.259%
Mr. Tsang	Personal	17,583,749 <sup>6</sup>	0.217%
Mr. Chan	Personal	13,000,000 <sup>7</sup>	0.160%
Mr. Tang	Personal	15,127,982 <sup>8</sup>	0.187%
	Family	181,737 <sup>9</sup>	0.002%
Mr. Chau	Personal	8,305,000 <sup>10</sup>	0.102%
Mr. Shi	Personal	19,007,566 <sup>11</sup>	0.234%
Mr. Fan	Personal	3,000,000 <sup>12</sup>	0.037%
Mr. Chung	Personal	3,000,000 <sup>13</sup>	0.037%
Mr. Cheng	Personal	3,000,000 <sup>14</sup>	0.037%
Mr. Da Rosa	Personal	3,000,000 <sup>15</sup>	0.037%

## Other information

### Directors' interests (continued)

#### (i) Long positions in the shares and underlying shares of the Company (continued)

Notes:

1. The personal interest of Mr. Oei represents an interest in 172,673,100 shares of the Company, an interest in 17,267,310 underlying shares in respect of warrants issued by the Company and an interest in 3,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
2. The corporate interest of Mr. Oei represents an interest in 2,784,432,448 shares of the Company and an interest in 278,443,244 underlying shares in respect of warrants issued by the Company held by Creator Holdings Limited ("Creator"), a company beneficially and wholly owned by Mr. Oei, and an interest in 191,573,918 shares of the Company and an interest in 19,157,391 underlying shares in respect of warrants issued by the Company 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").
3. The joint interest of Mr. Oei represents an interest in 1,624,305 shares of the Company and an interest in 3,638,430 underlying shares in respect of warrants issued by the Company jointly held with his wife, Mrs. Oei.
4. The family interest of Mr. Oei represents an interest in 3,000,000 underlying shares in respect of options granted by the Company to Mrs. Oei.
5. The personal interest of Mr. Chen represents an interest in 70,513,086 shares of the Company, an interest in 6,551,308 underlying shares in respect of warrants issued by the Company and an interest in 25,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
6. The personal interest of Mr. Tsang represents an interest in 2,403,409 shares of the Company, an interest in 180,340 underlying shares in respect of warrants issued by the Company and an interest in 15,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
7. The personal interest of Mr. Chan represents an interest in 13,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
8. The personal interest of Mr. Tang represents an interest in 116,348 shares of the Company, an interest in 11,634 underlying shares in respect of warrants issued by the Company and an interest in 15,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
9. The family interest of Mr. Tang represents an interest in 165,216 shares in the Company and an interest in 16,521 underlying shares in respect of warrants issued by the Company held by his wife.
10. The personal interest of Mr. Chau represents an interest in 305,000 shares of the Company and an interest in 8,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
11. The personal interest of Mr. Shi represents an interest in 6,000,000 shares of the Company, an interest in 5,007,566 underlying shares in respect of warrants issued by the Company and an interest in 8,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
12. The personal interest of Mr. Fan represents an interest in 3,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
13. The personal interest of Mr. Chung represents an interest in 3,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
14. The personal interest of Mr. Cheng represents an interest in 3,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
15. The personal interest of Mr. Da Rosa represents an interest in 3,000,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.

#### (ii) Long positions in the shares and underlying shares of associated corporation of the Company

Name of associated corporation	Name	Nature of interest	Number of shares	Approximate percentage of existing issued share capital of the associated corporation
Hong Kong Energy (Holdings) Limited ("HKE")	Mr. Oei	Corporate <sup>1</sup>	572,598,298	74.99%

Note:

1. The corporate interest of Mr. Oei represents an interest in 572,598,298 shares held by the Company in HKE. Since the Company is held as to approximately 37.78% by Creator, a company wholly-owned by Mr. Oei, he is deemed to be interested in the same parcel of shares in which the Company is taken to be interested in HKE.

## Directors' interests (continued)

Save as disclosed above, as at 30th June 2008, 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 Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

## Substantial shareholders' interests

As at 30th June 2008, the following persons (other than a director or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### Long positions in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of shares	Approximate percentage of existing issued share capital of the Company
Mrs. Oei	Personal	3,000,000 <sup>1</sup>	0.037%
	Corporate	210,731,309 <sup>2</sup>	2.599%
	Joint	5,262,735 <sup>3</sup>	0.065%
	Family	3,255,816,102 <sup>4</sup>	40.162%
Creator	Beneficial owner	3,062,875,692 <sup>5</sup>	37.782%
Stephen A. FEINBERG	Corporate	1,569,511,900	19.361%
Cerberus Institutional Associates, L.L.C. ("Cerberus")	Corporate	1,569,511,900 <sup>6</sup>	19.361%
Promontoria Europe Investments XII LDC	Corporate	1,569,511,900	19.361%
Promontoria Holding Coöperatie U.A.	Corporate	1,569,511,900	19.361%
Penta Investment Advisers Limited ("Penta")	Investment manager	1,530,873,339 <sup>7</sup>	18.884%
John ZWAANSTRA	Corporate	1,530,873,339	18.884%
Mercurius GP LLC	Founder of a discretionary trust	755,123,648	9.315%

## Other information

### Substantial shareholders' interests (continued)

#### Long positions in the shares and underlying shares of the Company (continued)

Name of shareholder	Nature of interest	Number of shares	Approximate percentage of existing issued share capital of the Company
Penta Asia Fund, Ltd.	Corporate	755,123,648	9.315%
Todd ZWAANSTRA	Trustee	755,123,648	9.315%

#### Notes:

1. The personal interest of Mrs. Oei represents an interest in 3,000,000 underlying shares in respect of options granted by the Company to her.
2. The corporate interest of Mrs. Oei represents the shares and underlying shares in respect of warrants issued by the Company held by Genesis, a company owned as to 50% by Mrs. Oei and as to the remaining 50% by her husband, Mr. Oei.
3. The joint interest of Mrs. Oei represents the shares and underlying shares in respect of warrants issued by the Company jointly held with her husband, Mr. Oei.
4. The family interest of Mrs. Oei represents an interest in 2,784,432,448 shares and an interest in 278,443,244 underlying shares in respect of warrants issued by the Company held by Creator, an interest in 172,673,100 shares and an interest in 17,267,310 underlying shares in respect of warrants issued by the Company held by Mr. Oei, and an interest in 3,000,000 underlying shares in respect of options granted by the Company to Mr. Oei.
5. The beneficial interest of Creator includes an interest in 2,784,432,448 shares and an interest in 278,443,244 underlying shares in respect of warrants issued by the Company. Mr. Oei is a director of Creator.
6. The beneficial interest of Cerberus includes an interest in 1,426,829,000 shares and an interest in 142,682,900 underlying shares in respect of warrants issued by the Company held by certain funds of Cerberus which are managed by Penta on a discretionary basis.
7. The investment manager interest of Penta includes an interest in 1,415,016,586 shares and an interest in 115,856,753 underlying shares in respect of warrants issued by the Company held by certain funds of Cerberus which are managed by Penta on a discretionary basis.

Save as disclosed above, at 30th June 2008, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

### Interim dividend

The Directors are pleased to declare an interim dividend of HK1.5 cents per ordinary share for the six months ended 30th June 2008 (2007: interim dividend of HK8.0 cents and special dividend of HK2.0 cents per ordinary share) to shareholders whose names appear on the Register of Members of the Company on 28th October 2008. The interim dividend will be payable in the form of scrip with an option to elect cash. Failure to elect cash, all interim dividend will be paid in scrip shares. A circular containing details of the scrip dividend and the form of election will be sent to shareholders in due course. The scrip dividend is conditional upon the granting by the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto.

### Closure of register of members

The Register of Members of the Company will be closed from 27th October 2008 to 28th October 2008 (both dates inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24th October 2008.

## Audit committee

The audit committee of the Company (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 2008, 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.

## Purchase, sale or redemption of listed securities

During the six months ended 30th June 2008, the Company purchased a total of 113,198,000 shares of HK\$0.01 each on the Stock Exchange at an aggregate consideration of HK\$186,065,560. Details of the repurchases are as follows:

Date of repurchases	Total number of ordinary shares repurchased	Price paid per ordinary share		Aggregate consideration HK\$
		Highest HK\$	lowest HK\$	
16th January 2008	21,126,000	1.81	1.61	36,249,260
17th January 2008	6,533,000	1.87	1.73	11,750,540
22nd January 2008	33,607,000	1.77	1.52	57,002,710
18th March 2008	51,932,000	1.67	1.20	81,063,050

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30th June 2008.

## Corporate governance

The Company has complied throughout the six months ended 30th June 2008 with all the code provisions (the "Code Provisions") and, where applicable, the recommended best practices as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following:

### Code provision A.4.1

Under the Code Provision A.4.1, non-executive directors should be appointed for specific term and subject to re-election. However, the independent non-executive Directors of the Company were not appointed for specific term but 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.

### 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 Chairmen of the relevant committees were available to answer question at the shareholders' meetings.

## Other information

### Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2008.

By order of the Board  
**HKC (HOLDINGS) LIMITED**  
**TSANG Sai Chung, Kirk**  
*Company Secretary*

Hong Kong, 10th September 2008

**HKC (HOLDINGS) LIMITED**  
**香港建設(控股)有限公司**

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