



INTERIM REPORT 2009
二零零九年度中期業績報告

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 (*Chief Executive Officer*)
 - # Mr. WAN Man Yee (*Managing Director*)^Δ
 - # Mr. TANG Sau Wai, Tom
 - * Ms. YEN Teresa
 - * 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 Director
- * Non-executive Director
- ⊗ Independent Non-executive Director
- Δ Appointed on 4th September 2009

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
China Construction Bank Corporation
Dah Sing Bank, Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY SECRETARY

Ms. MOK Ming Wai

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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STOCK CODE

190

WARRANT CODE

314, 407

The Board of Directors (“the Board”) of HKC (Holdings) Limited (“the Company”) wishes to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (“the Group”) for the six months ended 30th June 2009 as follows:–

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th June 2009

		Unaudited Six months ended 30th June	
	Note	2009 HK\$ Million	2008 HK\$ Million
Revenues	4	173.0	111.6
Cost of sales	7	(101.1)	(78.8)
Gross profit		71.9	32.8
Other income	5	117.1	886.2
Fair value adjustments on investment properties		145.5	41.7
Reversal of impairment losses on assets	6	320.9	–
Administrative expenses	7	(136.8)	(226.9)
Selling and distribution costs	7	(2.9)	(4.4)
Other and general expenses	8	(67.8)	(189.6)
Operating profit		447.9	539.8
Finance income	9	4.9	39.4
Finance costs	9	(93.6)	(93.0)
Finance costs – net	9	(88.7)	(53.6)
Share of profits less losses of associated companies		27.5	2.7
Share of profits less losses of jointly controlled entities		78.0	(12.3)
Profit before income tax		464.7	476.6
Income tax expense	10	(93.0)	(205.9)
Profit for the period		371.7	270.7
Attributable to:			
Equity holders of the Company		377.4	293.4
Minority interest		(5.7)	(22.7)
		371.7	270.7
Earnings per share for profit attributable to equity holders of the Company, expressed in HK cents per share			
Basic	11	4.6	3.6
Diluted		4.4	3.6
Dividends	12	–	121.6

The notes on pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2009

	Unaudited Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Profit for the period	371.7	270.7
Other comprehensive income		
Fair value gains/(losses) on available-for-sale financial assets	2.7	(2.2)
Currency translation differences		
– the Company and subsidiaries	(23.5)	599.3
– associated companies and jointly controlled entities	–	14.2
Other comprehensive income for the period, net of tax	(20.8)	611.3
Total comprehensive income for the period	350.9	882.0
Total comprehensive income attributable to:		
Equity holders of the Company	357.8	882.2
Minority interest	(6.9)	(0.2)
	350.9	882.0

The notes on pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th June 2009

	Note	Unaudited as at 30th June 2009 HK\$ Million	Audited as at 31st December 2008 HK\$ Million
ASSETS			
Non-current assets			
Investment properties	13	6,128.2	2,827.4
Prepaid land lease payments	13	3,305.8	5,969.7
Property, plant and equipment			
– Other property, plant and equipment	13	902.5	937.1
– Construction in progress	13	180.0	160.3
Intangible assets	14	1,188.2	1,217.2
Properties under development	15	274.4	624.3
Interests in associated companies		1,393.3	1,233.1
Interests in jointly controlled entities		1,111.3	1,024.0
Derivative financial instrument		5.0	5.0
Available-for-sale financial assets		26.2	23.8
Total non-current assets		14,514.9	14,021.9
Current assets			
Inventories	16	15.1	43.2
Properties held for sale	17	393.4	9.1
Financial assets at fair value through profit or loss		76.5	391.4
Trade and other receivables	18	445.1	443.8
Restricted cash		466.9	674.9
Cash and cash equivalents		1,984.2	1,836.9
Total current assets		3,381.2	3,399.3
Total assets		17,896.1	17,421.2

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th June 2009

	Note	Unaudited as at 30th June 2009 HK\$ Million	Audited as at 31st December 2008 HK\$ Million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	82.6	82.5
Reserves		11,128.1	10,756.4
Equity attributable to equity holders of the Company		11,210.7	10,838.9
Minority interest		724.3	742.9
Total equity		11,935.0	11,581.8
LIABILITIES			
Non-current liabilities			
Borrowings	20	3,437.3	3,197.1
Other non-current payables		322.8	299.3
Deferred income tax liabilities		868.4	776.9
Total non-current liabilities		4,628.5	4,273.3
Current liabilities			
Trade and other payables	21	805.5	1,154.6
Borrowings	20	516.7	399.0
Current income tax liabilities		10.4	12.5
Total current liabilities		1,332.6	1,566.1
Total liabilities		5,961.1	5,839.4
Total equity and liabilities		17,896.1	17,421.2
Net current assets		2,048.6	1,833.2
Total assets less current liabilities		16,563.5	15,855.1

The notes on pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2009

	Unaudited						
	Note	Attributable to equity holders of the Company			Total	Minority interest	Total equity
		Share capital	Other reserves	Retained earnings/ (accumulated losses)			
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	
Balance at 1st January 2008		82.2	11,637.6	1,675.2	13,395.0	(9.6)	13,385.4
Profit for the period		–	–	293.4	293.4	(22.7)	270.7
Other comprehensive income:							
Fair value losses on available-for-sale financial assets		–	(2.2)	–	(2.2)	–	(2.2)
Currency translation differences		–	591.2	(0.2)	591.0	22.5	613.5
Total comprehensive income for the period ended 30 June 2008		–	589.0	293.2	882.2	(0.2)	882.0
Employee share option benefits		–	34.5	–	34.5	–	34.5
Exercise of bonus warrants		–	0.6	–	0.6	–	0.6
Exercise of share options		–	6.4	–	6.4	–	6.4
Repurchase of shares	19	(1.1)	(184.9)	–	(186.0)	–	(186.0)
Contribution from minority shareholders in subsidiaries		–	–	–	–	376.3	376.3
2007 final dividend paid in June 2008		–	–	(283.7)	(283.7)	–	(283.7)
Acquisition of subsidiaries		–	–	–	–	519.0	519.0
Increase in amounts due to minority shareholders		–	–	–	–	0.4	0.4
Balance at 30th June 2008		81.1	12,083.2	1,684.7	13,849.0	885.9	14,734.9
Balance at 1st January 2009		82.5	12,132.5	(1,376.1)	10,838.9	742.9	11,581.8
Profit for the period		–	–	377.4	377.4	(5.7)	371.7
Other comprehensive income:							
Fair value gains on available-for-sale financial assets		–	2.7	–	2.7	–	2.7
Currency translation differences		–	(22.3)	–	(22.3)	(1.2)	(23.5)
Total comprehensive income for the period ended 30th June 2009		–	(19.6)	377.4	357.8	(6.9)	350.9
Employee share option benefits		–	17.3	–	17.3	–	17.3
Release of reserves upon the lapse of share options		–	(35.4)	35.4	–	–	–
Exercise of bonus warrants	19	0.1	0.3	–	0.4	–	0.4
Release of reserves upon disposal of subsidiaries		–	(3.9)	–	(3.9)	(12.7)	(16.6)
Release of reserves upon disposal of available-for-sale financial assets		–	0.2	–	0.2	–	0.2
Repayment of amounts due from minority shareholders		–	–	–	–	1.0	1.0
Balance at 30th June 2009		82.6	12,091.4	(963.3)	11,210.7	724.3	11,935.0

The notes on pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30th June 2009

	Unaudited Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Net cash (used in)/generated from operating activities	(68.6)	813.9
Net cash used in investing activities	(247.5)	(2,375.0)
Net cash generated from financing activities	474.6	90.1
Net increase/(decrease) in cash and cash equivalents	158.5	(1,471.0)
Cash and cash equivalents at 1st January	1,836.9	4,416.0
Effect of foreign exchange rate changes	(11.2)	221.4
Cash and cash equivalents at 30th June	1,984.2	3,166.4
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	1,492.3	2,712.7
Short term bank deposits	958.8	1,559.0
Restricted cash	(466.9)	(1,105.3)
	1,984.2	3,166.4

The notes on pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

HKC (Holdings) Limited (the “Company” or “HKC”) is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in the business of property development and investment, alternative energy investment and management, infrastructure and construction contracts mainly in Hong Kong and the Mainland China.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in million of units of Hong Kong dollars (HK\$ Million), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 18th September 2009.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 has been prepared in accordance with HKAS 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2008, which has 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 applied are consistent with those of the annual financial statements for the year ended 31st December 2008, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2009.

- HKAS 1 (Revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expense (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the consolidated statement of comprehensive income) or two statements (the consolidated income statement and consolidated statement of comprehensive income).

The Group has elected to present two performance statements: an income statement and a statement of comprehensive income. The interim consolidated financial statements have been prepared under the revised disclosure requirements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES (CONTINUED)

- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “CODM”). The CODM makes strategic decisions. Comparative figures for 2008 have been restated.
- ‘Improvements to HKFRSs’ (issued in October 2008). The improvements include 35 amendments across 20 different standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the Group’s accounting policies. The only amendment included in ‘Improvements to HKFRSs’ that has had a significant impact on the Group’s accounting policies is the amendment to HKAS 40, ‘Investment property’ (and consequential amendments to HKAS 16, ‘Property, plant and equipment’).

As a result of the adoption of the revised HKAS 40 during the period, the portfolio of properties accounted for as investment properties has been expanded to include investment properties being developed. Previously, only completed investment properties were accounted for as investment properties. In total, investment properties being developed with a net carrying amount of HK\$2,908.3 million were transferred to the investment properties at 1st January 2009 from property under development and prepaid land lease payments.

For the six months ended 30th June 2009, the Group recognised a fair value gain of investment property under construction amounted to HK\$51.0 million (net of deferred income tax).

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1st January 2009, are not relevant for the Group or do not have material impact on the Group in the period ended 30th June 2009.

The Group do not early adopted the new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning 1st January 2009. The Group has commenced an assessment of the related impact but is not yet in a position to state whether any substantial changes to the Group’s accounting policies and presentation of the financial information will be resulted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (CONTINUED)

	Properties under development				Property investment and leasing	Infrastructure	Alternative energy	Construction	Hotel and catering services	Other operations	Total reportable segments
	Shanghai and Zhejiang	Shenyang	Tianjin	Other area							
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Six months ended 30th June 2008											
Revenues from external customers	-	-	-	-	36.8	21.6	31.2	16.3	-	5.7	111.6
Inter-segment revenues	-	-	-	-	0.8	-	-	19.3	-	-	20.1
Total revenues	-	-	-	-	37.6	21.6	31.2	35.6	-	5.7	131.7
Operating profit/(loss)	(28.3)	(26.8)	773.1	-	43.2	(4.1)	22.5	(24.3)	(18.0)	(71.8)	665.5
Finance income	2.2	2.3	1.0	-	4.4	1.7	0.1	-	0.2	2.1	14.0
Finance costs	-	-	-	-	(48.2)	(16.9)	(16.8)	-	-	(3.9)	(85.8)
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)
Profit/(loss) before income tax	(38.4)	(24.5)	774.1	-	11.8	(19.3)	(3.9)	(24.3)	(17.8)	(73.6)	584.1
Income tax credit/(expense)	-	-	(198.9)	-	(10.4)	-	-	-	-	3.4	(205.9)
Profit/(loss) for the period	(38.4)	(24.5)	575.2	-	1.4	(19.3)	(3.9)	(24.3)	(17.8)	(70.2)	378.2
Depreciation	(0.4)	(0.2)	-	-	(0.9)	(10.9)	(16.7)	(2.1)	(1.4)	(3.4)	(36.0)
Amortisation	(13.8)	-	(17.6)	-	-	(3.4)	(1.3)	-	-	(3.3)	(39.4)

4. SEGMENT INFORMATION (CONTINUED)

	Properties under development				Property investment and leasing	Infrastructure	Alternative energy	Construction	Hotel and catering services	Other operations	Total reportable segments
	Shanghai and Zhejiang	Shenyang	Tianjin	Other area							
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million							
As at 30th June 2009											
Total assets	4,495.7	1,376.3	2,595.6	125.8	4,924.5	1,450.9	1,709.6	1,076.1	702.8	55.2	18,512.5
Total assets include:											
Interests in associated companies	-	-	-	-	288.9	-	547.2	-	563.9	(6.7)	1,393.3
Interests in jointly controlled entities	1,119.8	-	-	-	-	-	-	-	-	(8.5)	1,111.3
For the six months ended 30th June 2009											
Additions to non-current assets other than financial instruments	221.5	6.2	6.0	-	-	2.8	19.8	0.2	6.1	1.4	264.0
As at 31st December 2008											
Total assets	4,324.6	1,310.2	2,407.0	116.8	4,645.5	1,460.1	1,564.4	1,142.8	706.0	92.2	17,769.6
Total assets include:											
Interests in associated companies	-	-	-	-	259.2	-	416.1	-	564.0	(6.2)	1,233.1
Interests in jointly controlled entities	1,033.9	-	-	-	-	-	-	-	-	(9.9)	1,024.0
For the six months ended 30th June 2008											
Additions to non-current assets other than financial instruments	54.7	67.7	32.8	-	98.6	485.0	5.2	-	48.8	32.9	825.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (CONTINUED)

A reconciliation of profit for the period of reportable segments to profit for the period of the Group is provided as follows:

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Profit for the period of reportable segments	455.0	378.2
Unallocated amounts:		
Corporate expenses	(81.9)	(98.0)
Intra group elimination	(1.4)	(9.5)
Profit for the period of the Group	371.7	270.7

Reportable segment's assets are reconciled to total assets as follows:

	As at	
	30th June 2009 HK\$ Million	31st December 2008 HK\$ Million
Total segment assets	18,512.5	17,769.6
Head office assets	1,828.5	1,800.7
Intra group elimination	(2,586.2)	(2,600.8)
Derivative financial instrument	5.0	5.0
Available-for-sale financial assets	26.2	23.8
Financial assets at fair value through profit or loss	76.5	391.4
Other unallocated amounts	33.6	31.5
Total assets per consolidated balance sheet	17,896.1	17,421.2

Following the commencement of the food and beverage business, pre-sale of properties under development and toll road operation in 2008, the Group's revenue stream from investments in Mainland China is now greater than the revenue stream from Hong Kong. Revenues from external customers in Mainland China for the six months ended 30th June 2009 are HK\$152.8 million (Six months ended 30th June 2008: HK\$90.0 million), and the total of revenues from external customers from other areas is HK\$20.2 million (Six months ended 30th June 2008: HK\$21.6 million).

At 30th June 2009, the total of non-current assets other than financial instruments located in Mainland China is HK\$14,356.6 million (At 31st December 2008: HK\$13,867.7 million), and the total of these non-current assets located in other areas is HK\$127.1 million (At 31st December 2008: HK\$125.4 million).

For the six months ended 30th June 2009, revenues of approximately HK\$30.1 million (Six months ended 30th June 2008: HK\$31.2 million) derived from a single external customer are attributable to the alternative energy business and revenues of approximately HK\$15.2 million (Six months ended 30th June 2008: HK\$19.5 million) derived from a single external customer are attributable to the infrastructure business.

5. OTHER INCOME

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Write back of provision for		
– impairment loss on trade receivables	0.9	2.3
– management fee for vacant units in properties (Note a)	62.5	–
Gain on liquidation of subsidiaries	23.9	–
Gain on disposal of a subsidiary (Note b)	7.6	–
Property fee income	7.1	5.0
Net exchange gain	8.8	–
Net gain arising from the loss and compensation of a piece of land (Note c)	–	794.0
Fair value gain on financial asset at fair value through profit or loss-net	0.2	61.3
Consultancy fee income	–	15.0
Dividend income	–	2.5
Other	6.1	6.1
	117.1	886.2

Notes:

- (a) During the period, the Group has confirmed that it is not liable to the management fee payment in respect of some of its vacant units in properties. As a result, a total of HK\$62.5 million was written back.
- (b) On 21st May 2009, the Group's non-wholly owned subsidiary entered into an agreement to dispose of its 55% shareholding interest in a biomass energy project to the other 45% shareholder at a consideration of HK\$23.1 million. The transaction was conducted on an arm-length basis.
- (c) On 26th March 2008, a piece of land originally held by the Group was offered by the local government authority to swap for another piece of land. As a result, with reference to the fair value of the new land, a gain of HK\$794.0 million was recognised for the period ended 30th June 2008.

6. REVERSAL OF IMPAIRMENT LOSSES ON ASSETS

The recoverable amount of the prepaid land lease payments has been increased following a strong improvement in the PRC property market recorded in the first six months of 2009. As a result, the Group has reversed part of the impairment provision made on the prepaid land lease payments (note 13(c)) during the interim period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. EXPENSES BY NATURE

Expenses included in cost of sales, administrative expenses and selling and distribution costs are analysed as follows:

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Employee benefit expenses (including directors' emoluments)	(73.5)	(69.1)
Employee share option benefits	(17.3)	(34.5)
Depreciation of property, plant and equipment	(37.4)	(36.0)
Construction costs	(15.6)	(30.4)
Corporate expenses	(3.1)	(24.0)
Cost of sales for infrastructure and alternative energy	(12.1)	(10.7)
Cost of sales for inventories	(23.3)	–
Cost of sales for other operations	(14.8)	–
Direct operating expenses arising from investment properties that generate rental income	(1.9)	(9.2)
Amortisation		
– prepaid land lease payments	(0.6)	(1.0)
– intangible assets	(2.8)	(2.8)
Auditor's remuneration	(2.3)	(3.1)
Operating lease payments	(8.0)	(8.2)
Transportation expenses	(3.6)	(9.5)
Property management fees	(3.4)	(10.8)
Maintenance expenses on investment properties	–	(12.5)
Other expenses	(21.1)	(48.3)
Total cost of sales, administrative expenses and selling and distribution costs	(240.8)	(310.1)

8. OTHER AND GENERAL EXPENSES

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Amortisation		
– prepaid land lease payments	(30.6)	(32.7)
– intangible assets	(3.6)	(3.4)
Provision for impairment losses on		
– goodwill	–	(42.0)
– intangible assets	–	(6.2)
– trade and other receivables	(11.8)	(0.4)
– inventories	(4.2)	–
Net exchange losses	–	(88.6)
Pre-operating expenses	(0.9)	(4.6)
Tendering costs	(1.2)	(1.8)
Other	(15.5)	(9.9)
	(67.8)	(189.6)

9. FINANCE INCOME AND COSTS

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Interest expenses on bank loans and other borrowings:		
Wholly repayable within 5 years	(44.2)	(55.2)
Not wholly repayable within 5 years	(72.3)	(51.0)
	(116.5)	(106.2)
Less: capitalised in construction in progress and properties under development	22.9	13.2
Finance costs	(93.6)	(93.0)
Finance income – interest income from bank deposits	4.9	39.4
Net finance costs	(88.7)	(53.6)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. 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 (2008: 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 22% to 25% (2008: 18% to 25%).

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Current income tax		
Mainland China income tax	(0.4)	–
Over provision in prior years	–	1.1
	(0.4)	1.1
Deferred income tax (Note b)	(92.6)	(207.0)
	(93.0)	(205.9)

Notes:

- (a) Share of income tax of associated companies and jointly controlled entities amounting to HK\$33.6 million (2008: HK\$0.8 million) are included in the condensed consolidated interim income statement as share of profits less losses of associated companies and jointly controlled entities.
- (b) In 2008, included in deferred income tax was an amount of HK\$198.5 million arising from the net gain on the loss and compensation of a piece of land (Note 5c).

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	
	2009	2008
Profit attributable to equity holders of the Company (HK\$ Million)	377.4	293.4
Weighted average number of ordinary shares in issue (Million)	8,254.9	8,133.2
Basic earnings per share (HK cents per share)	4.6	3.6

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated 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 and bonus warrants. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options and bonus warrants. 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 and bonus warrants.

	Six months ended 30th June	
	2009	2008
Profit attributable to equity holders of the Company (HK\$ Million)	377.4	293.4
Weighted average number of ordinary shares in issue (Million)	8,254.9	8,133.2
Adjustments for share options and bonus warrants (Million)	368.2	11.6
Weighted average number of ordinary shares for diluted earnings per share (Million)	8,623.1	8,144.8
Diluted earnings per share (HK cents per share)	4.4	3.6

12. DIVIDENDS

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
No interim dividend (2008: Interim dividend of HK1.5 cents per ordinary share) was declared	–	121.6

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2009.

On 10th September 2008, the Board of Directors declared an interim dividend of HK1.5 cents per ordinary share in the form of scrip with an option to elect cash. It has been paid and reflected as an appropriation of retained earnings for the year ended 31st December 2008.

The Directors propose to make a bonus issue of 1 share of HK\$0.01 credited as fully paid out of the contributed surplus account for every existing 10 shares to be held on 30th October 2009 which is subject to certain conditions, among other things, the shareholders' approval at the special general meeting of the Company to be convened.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. CAPITAL EXPENDITURE

	Investment properties HK\$ Million	Prepaid land lease payments HK\$ Million	Other property, plant and equipment HK\$ Million	Construction in progress HK\$ Million
Six months ended 30th June 2008				
Opening net book amount at 1st January 2008	2,922.2	2,259.8	921.0	820.4
Exchange differences	178.4	196.8	59.0	60.2
Additions	–	26.7	15.3	101.8
Acquisition of subsidiaries	–	2,909.9	280.0	175.6
Transfer in/(out)	198.8	203.3	37.1	(1,156.6)
Disposals	–	–	(0.2)	–
Fair value adjustments	41.7	794.0	–	–
Depreciation and amortisation	–	(35.7)	(36.2)	–
Closing net book amount at 30th June 2008	3,341.1	6,354.8	1,276.0	1.4

Six months ended 30th June 2009

Opening net book amount at 1st January 2009	2,827.4	5,969.7	937.1	160.3
Exchange differences	(3.1)	(2.8)	(4.1)	–
Additions	6.2	–	7.8	19.7
Transfer in/(out)				
– the adoption of revised HKAS 40 (Note 3)	2,908.3	(2,868.7)	–	–
– completion of construction work	243.9	(104.8)	–	–
Disposal	–	–	(0.1)	–
Fair value adjustments	145.5	–	–	–
Reversal of impairment losses (Note c)	–	344.9	–	–
Depreciation and amortisation	–	(32.5)	(38.2)	–
Closing net book amount at 30th June 2009	6,128.2	3,305.8	902.5	180.0

- (a) Amortisation expenses for prepaid land lease payments of HK\$1.3 million (2008: HK\$2.0 million) have been capitalised in properties under development and of HK\$0.6 million (2008: HK\$1.0 million) have been included in cost of sales.
- (b) Depreciation expenses for property, plant and equipment of HK\$0.8 million (2008: HK\$0.2 million) have been capitalised in construction in progress under property, plant and equipment and properties under development which were included as part of the additions. Depreciation expenses of HK\$37.4 million (2008: HK\$36.0 million) have been charged in cost of sales, administrative expenses and selling and distribution costs.
- (c) The recoverable amounts of the prepaid land lease payments were determined with reference to the valuation report prepared by Knight Frank Petty Limited, an independent firm of surveyors. The methodology of valuation of properties adopted for the period under review was the same as which adopted in the year ended 31st December 2008.

14. INTANGIBLE ASSETS

	Goodwill HK\$ Million	Concession rights – toll road HK\$ Million	Biomass technology HK\$ Million	Other intangible assets HK\$ Million	Total HK\$ Million
Six months ended 30th June 2008					
Opening net book amount at 1st January 2008	6.3	33.6	–	23.0	62.9
Additions	–	481.8	31.5	–	513.3
Acquisition of subsidiaries	403.2	–	29.8	–	433.0
Transfer in	–	1,106.6	–	–	1,106.6
Amortisation	–	(4.2)	(3.2)	(0.2)	(7.6)
Impairment losses	(42.0)	–	(6.2)	–	(48.2)
Closing net book amount at 30th June 2008	367.5	1,617.8	51.9	22.8	2,060.0

Six months ended 30th June 2009

Opening net book amount at 1st January 2009	33.8	1,143.5	27.3	12.6	1,217.2
Exchange differences	–	(0.6)	–	–	(0.6)
Additions	–	2.8	–	–	2.8
Amortisation	–	(2.8)	(2.5)	(1.1)	(6.4)
Disposal of subsidiaries	–	–	(24.8)	–	(24.8)
Closing net book amount at 30th June 2009	33.8	1,142.9	–	11.5	1,188.2

15. PROPERTIES UNDER DEVELOPMENT

	As at	
	30th June 2009	31st December 2008
	HK\$ Million	HK\$ Million
Properties under development comprise:		
– Construction costs and capitalised expenditure	272.6	620.2
– Amortisation of prepaid land lease payments	1.8	4.1
	274.4	624.3

The properties under development are all located in the Mainland China. As a result of the adoption of the revised HKAS 40 or the completion of construction work during the period, certain properties included in properties under development were reclassified as investment properties and properties held for sale.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. A provision of HK\$4.2 million (six months ended 30th June 2008: Nil) has been provided and included in the other and general expenses during the six months ended 30th June 2009.

17. PROPERTIES HELD FOR SALE

At 30th June 2009, the carrying amount of properties held for sale that are carried at net realisable value amounted to HK\$393.4 million (31st December 2008: HK\$9.1 million).

18. TRADE AND OTHER RECEIVABLES

	As at	
	30th June 2009 HK\$ Million	31st December 2008 HK\$ Million
Trade receivables	69.4	72.7
Less: provision for impairment of receivables	(12.9)	(13.3)
Trade receivables – net	56.5	59.4
Bills receivable	9.8	23.4
Other receivables and deposits, net of provisions	255.0	185.4
Gross amounts due from customers for contract works	81.3	140.9
Retention receivables	30.7	32.6
Amounts due from related companies (Note)	11.8	2.1
	445.1	443.8

Note: The balances are unsecured, interest free and have no fixed terms of repayment.

At 30th June 2009 and 31st December 2008, the ageing analysis of trade receivables, net of provision for impairment of receivables, was as follows:

	As at	
	30th June 2009 HK\$ Million	31st December 2008 HK\$ Million
0 to less than 2 months	12.7	46.9
2 to less than 6 months	19.8	1.8
6 to less than 12 months	16.1	2.8
12 months and more	7.9	7.9
	56.5	59.4

The Group's credit terms for contracting business are negotiated with and entered into under normal commercial terms with its trade customers. Various group companies have different credit policies depending on the requirements of their markets and the businesses which they operate. Retention money receivables in respect of contracting services are settled in accordance with the terms of respective contracts.

19. SHARE CAPITAL

	Note	Number of shares (Million)	Ordinary shares HK\$ Million
Authorised			
At 1st January and 30th June 2008, 1st January and 30th June 2009		30,000.0	300.0
Issued and fully paid			
At 1st January 2008		8,215.1	82.2
Repurchase during the period	(a)	(113.2)	(1.1)
Exercise of bonus warrants	(b)	0.3	–
Exercise of share options	(c)	4.5	–
At 30th June 2008		8,106.7	81.1
At 1st January 2009		8,254.8	82.5
Exercise of bonus warrants	(d)	0.8	0.1
At 30th June 2009		8,255.6	82.6

Notes:

- (a) For 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 (the "Stock Exchange"), 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		

- (b) On 30th November 2007, the Company issued 821,279,383 warrants (Warrant Code: 314) on the basis of one warrant for every ten existing shares of the Company held by the shareholders ("bonus warrants "314"). The holders of bonus warrants "314" are entitled to subscribe at any time during 30th November 2007 to 30th November 2009 for fully paid shares at a subscription price of HK\$2.05 per share. 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 "314".

On 22nd May 2009, the subscription price of bonus warrants "314" was adjusted to HK\$1.96 per share as a result of a new issue of bonus warrants, and the subscription price of which was further adjusted to HK\$1.95 per share as a result of the distribution in specie of the bonus warrants (Warrant Code: 748) of Hong Kong Energy (Holdings) Limited to the shareholders of the Company on 10th June 2009.

The holders of bonus warrants "314" did not subscribe for any new shares during the six months ended 30th June 2009. As at 31st December 2008 and 30th June 2009, 820,865,965 units of bonus warrants "314" remained outstanding.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. SHARE CAPITAL (CONTINUED)

- (c) Share options are granted to employees, senior executive or officer, manager, director or consultant of any members of the Group or any Invested Entity. The exercise price must be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. An option must be exercised within 10 years from the date on which it is granted or such shorter period as the Board may specify at the time of grant. An offer of the grant of an option shall remain open for acceptance for a period of 10 business days from the date of offer and a consideration of HK\$1 must be paid upon acceptance. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:—

	Weighted average exercise price in HK dollar per share	Number of options		Weighted average exercise price in HK dollar per share	Number of options
At 1st January 2009	1.593	320,900,000	At 1st January 2008	1.553	165,700,000
Granted	—	—	Granted	1.656	214,900,000
Exercised	—	—	Exercised	1.420	(4,500,000)
Lapsed	1.537	(63,000,000)	Lapsed	1.732	(55,200,000)
At 30th June 2009	1.607	257,900,000	At 31st December 2008	1.593	320,900,000

Outstanding share options at 30th June 2009 and 31st December 2008 are as follows:

Date of grant	Exercise period	Exercise price per share (HK\$)	Outstanding at 30th June 2009	Outstanding at 31st December 2008
15th December 2006	15th December 2007 to 14th December 2016	1.420	19,425,000	28,025,000
15th December 2006	15th December 2008 to 14th December 2016	1.420	36,525,000	50,225,000
15th December 2006	15th December 2009 to 14th December 2016	1.420	25,250,000	34,750,000
3rd July 2007	15th December 2007 to 2nd July 2017	2.300	5,000,000	5,000,000
3rd July 2007	15th December 2008 to 2nd July 2017	2.300	2,500,000	2,500,000
3rd July 2007	15th December 2009 to 2nd July 2017	2.300	2,500,000	2,500,000
1st February 2008	1st February 2009 to 31st January 2018	1.656	33,340,000	39,580,000
1st February 2008	1st February 2010 to 31st January 2018	1.656	50,010,000	59,370,000
1st February 2008	1st February 2011 to 31st January 2018	1.656	83,350,000	98,950,000
		Total	257,900,000	320,900,000

No share option was granted by the Company during the period under review. The assumptions of calculation of fair value of HK\$56.6 million of share options granted on 15th December 2006 were described in Note 11(c) of the annual financial statements for the year ended 31st December 2006 while the assumptions of calculation of fair value of HK\$19.7 million of share options granted on 7th June and 3rd July 2007 were described in Note 10(c) of the annual financial statements for the year ended 31st December 2007. The assumptions of calculation of fair value of HK\$112.1 million of share options granted on 1st February 2008 were described in Note 35(f) of the annual financial statements for the year ended 31st December 2008.

- (d) On 22nd May 2009, the Company issued 825,481,451 warrants (Warrant Code: 407) on the basis of one warrant for every ten existing shares of the Company held by the shareholders ("bonus warrants "407"). The holders of bonus warrants "407" are entitled to subscribe at any time during 22nd May 2009 to 21st May 2011 for fully paid shares at a subscription price of HK\$0.40 per share (subject to adjustment).

During the period ended 30th June 2009, 783,065 new ordinary shares of HK\$0.01 each were issued upon the exercise of 783,065 units of bonus warrants "407". As at 30th June 2009, 824,698,386 units of bonus warrants "407" remained outstanding.

20. BORROWINGS

	As at	
	30th June 2009 HK\$ Million	31st December 2008 HK\$ Million
Non-current	3,437.3	3,197.1
Current	516.7	399.0
	3,954.0	3,596.1

Movements in borrowings are analysed as follows:

	HK\$ Million
Six months ended 30th June 2008	
Opening amount at 1st January 2008	2,789.2
Exchange differences	158.2
Acquisition of subsidiaries	1,041.4
New borrowings	595.7
Repayments of borrowings	(446.1)
Closing amount at 30th June 2008	4,138.4
Six months ended 30th June 2009	
Opening amount at 1st January 2009	3,596.1
Exchange differences	(1.8)
New borrowings	561.2
Repayments of borrowings	(201.5)
Closing amount at 30th June 2009	3,954.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21. TRADE AND OTHER PAYABLES

	As at	
	30th June 2009 HK\$ Million	31st December 2008 HK\$ Million
Trade payables	44.5	55.6
Retention payables	30.1	30.4
Other payables and accruals	730.9	1,024.0
Gross amounts due to customers for contract works	–	44.6
	805.5	1,154.6

At 30th June 2009 and 31st December 2008, the ageing analysis of trade payables were as follows:

	As at	
	30th June 2009 HK\$ Million	31st December 2008 HK\$ Million
0 to less than 2 months	6.7	10.3
2 to less than 6 months	1.3	0.6
6 to less than 12 months	0.5	5.1
12 months and more	36.0	39.6
	44.5	55.6

22. CONTINGENT LIABILITIES

- (a) The Group's investment property located in Shenzhen, the PRC 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 HK\$85.9 million) (31st December 2008: RMB75.8 million (equivalent to HK\$86.0 million)) arising in this respect have been assessed by management with reference to a legal opinion. Management have requested a 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.
- (b) Yangpu Jingang Real Estate Company Limited, a wholly-owned subsidiary of the Group, was claimed by its main contractor for the sum of approximately RMB16.3 million (equivalent to approximately HK\$18.5 million). The management is of the view that the claim is at an early stage of the legal proceedings and is still in progress, the possible outcome of which cannot be concretely predicted or pre-judged at the date of approval of these condensed consolidated interim financial statements, hence no provision for the claim is considered necessary.

23. CAPITAL COMMITMENTS

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

	As at	
	30th June 2009 HK\$ Million	31st December 2008 HK\$ Million
(a) Capital commitments undertaken by the Group		
(i) Property, plant and equipment		
– Contracted but not provided for	316.1	752.3
– Authorised but not contracted for (Note)	396.6	–
(ii) Property development projects		
– Contracted but not provided for	343.0	382.7
(iii) Capital contribution to joint venture projects in alternative energy		
– Contracted but not provided for	110.0	243.0
	1,165.7	1,378.0
(b) Capital commitments undertaken by the jointly controlled entities		
Property development projects		
Contracted but not provided for the Group's share	125.6	74.2

Note: Contracts worth HK\$396.6 million were originally classified under the category "Contracted but not provided for" as of 31st December 2008. Due to the project deferral, certain payment conditions became invalid and accordingly the original contracts became ineffective during the six months ended 30th June 2009. New contract terms and conditions are under negotiation. Hence, the amount has been reclassified as "Authorised but not contracted for" as of the balance sheet date 30th June 2009.

24. RELATED-PARTY TRANSACTIONS

Other than the transactions and balances disclosed elsewhere in this condensed consolidated interim financial information, the material related-party transactions during the period were:

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Income from supply of water to Jinhai Paper Pulping Industrial Company Limited (Note a)	10.9	15.3
Consultancy fee paid (Note b)	1.7	–
Interest paid on shareholders' loans		
– Creator Holdings Limited (Note c)	–	(0.1)
– Genesis Capital Group Limited (Note d)	–	(3.1)
	–	(3.2)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24. RELATED-PARTY TRANSACTIONS (CONTINUED)

- (a) Yangpu Water Supply Company Limited, held as to 65% indirectly by the Group, entered into a water supply agreement and a supplemental 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 2009. Income from Jinhai was conducted on terms as set out in the agreement and the supplemental agreement governing this transaction.
- (b) On 2nd March 2009, the Group entered into a consultancy services agreement with a company controlled by an Executive Director of the Company, who was appointed to hold that office on 4th September 2009, pursuant to which a monthly fixed consultancy fee is paid by the Group for the provision of certain consultancy services.
- (c) 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 loan was fully repaid in 2008.

There was no outstanding amount due to Creator by the Group as at 31st December 2008 and 30th June 2009.

- (d) 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\$1,000.0 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 loan was fully repaid in 2008.

There was no outstanding amount due to Genesis by the Group as at 31st December 2008 and 30th June 2009.

- (e) **Key management compensation**

	Six months ended 30th June	
	2009 HK\$ Million	2008 HK\$ Million
Directors' fees	0.4	0.3
Directors' salaries and other benefits	10.6	12.1
Employer's contribution to pension scheme	0.1	0.1
Share option benefits	3.9	11.3
	15.0	23.8

25. EVENTS AFTER THE BALANCE SHEET DATE

In September 2009, Hong Kong Construction (China) Engineering Company Limited, a wholly-owned subsidiary of the Group, entered into a framework agreement to dispose of its entire equity interest in, and shareholder's loan owing by, Yangpu Jingang Real Estate Company Limited to Jinhai Paper Pulping Industrial Company Limited, at the aggregate cash consideration of approximately RMB28.3 million (equivalent to approximately HK\$32.1 million). The disposal will not cause a material financial impact to the Group.

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 28, which comprises the condensed consolidated balance sheet of HKC (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2009 and the related condensed consolidated statements of income, comprehensive 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, 18th September 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30th June 2009, the turnover amounted to HK\$173.0 million, an increase of 55.0% over turnover of HK\$111.6 million for the same period in 2008, while gross profit for the period of HK\$71.9 million also represented an increase of 119.2% over gross profit of HK\$32.8 million in the same period last year. Net profit attributable to equity holders of the Group increased by 28.6% to HK\$377.4 million for the period under review. The net profit in the same period in 2008 was HK\$293.4 million.

The turnaround in 2009 was primarily due to the increase in valuation of the Group's development and investment properties in the PRC, an increase in rental rates, and an increase in occupancy rates. In addition, the Group reduced its administrative expenses by 39.7%. Basic earnings per share for the period amounted to HK4.6 cents per share, while basic earnings per share for the same period in 2008 was HK3.6 cents per share.

As a result, the Company's book value per share has increased from HK\$1.40 to HK\$1.45. The table below illustrates the breakdown of the Company's book value per share.

	Book Value HK\$ Million	Book Value/Share HK\$
Investment properties (1)	3,032.4	0.37
Properties under development (2)	5,882.3	0.71
Infrastructure and alternative energy	546.8	0.06
Others and unallocated	22.4	0.01
Group's cash	2,451.1	0.30
Total equity	<u>11,935.0</u>	<u>1.45</u>

- (1) Peninsula Beijing Hotel, Shenzhen Jinguang Centre, Shenzhen Shun Hing Square, Guangzhou Citic Plaza, Shenzhen South Ocean Centre, Hong Kong East Ocean Centre, Beijing Chienmen 23, and Nanxun International Building Market Centre
- (2) Shanghai North Bund, Tianjin Hongqi Nan Road, Tianjin Tuanbo Lake, Shenyang South Lake Park, Shenyang Nanjing Road, Qingdao, Jiangmen, Shanghai Sichuan North Road

Liquidity and Financial Resources

As at 30th June 2009, the Group's total borrowings (excluded loans from minority shareholders) amounted to HK\$3,570.3 million, representing a rise of 11.2% when compared with the equivalent figure of HK\$3,211.0 million as at 31st December 2008. Total borrowings as at 30th June 2009 included Hong Kong Dollar borrowings of HK\$56.7 million (31st December 2008: HK\$59.8 million) and Renminbi borrowings equivalent to HK\$3,513.6 million (31st December 2008: HK\$3,151.2 million).

The maturity dates for most of the Group's outstanding borrowings are spread over the next five years, with HK\$516.7 million repayable within one year or on demand, HK\$1,506.9 million repayable within two to five years, and HK\$1,546.7 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 2009, the Group had restricted deposits of HK\$466.9 million (31st December 2008: HK\$674.9 million) and unrestricted cash and cash equivalents amounting to HK\$1,984.2 million (31st December 2008: HK\$1,836.9 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

During the period under review, the Group and certain of its subsidiaries had charged certain properties worth HK\$3,110.2 million (31st December 2008: HK\$2,339.6 million) as security for bank and other loans.

Gearing Ratio

The Group's gearing ratio as at 30th June 2009 was 9.4%, compared with 6.0% as at 31st December 2008. This ratio represents total borrowings (excluded loans from minority shareholders) less cash and cash equivalents (included restricted cash) divided by total equity.

BUSINESS REVIEW

China's economic stimulus has resulted in a major turnaround for China's economy. During the first half of the year, bank lending reached RMB7.4 trillion. As a result China's GDP growth has risen from 6.8% in the 4th quarter of 2008 to 7.9% in the second quarter of 2009, and is on target to reach the government's full year goal of 8.0% growth.

The PRC government's stimulus efforts have given a major boost to HKC's businesses. Property prices in the areas around HKC's properties have increased. At the same time, the government's efforts to stimulate the development of renewable energy are greatly benefiting HKC's alternative energy business.

Properties

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

Leasing revenues at its investment properties in Shenzhen increased from HK\$33.3 million in the first half of 2008 to HK\$56.1 million in the first half of 2009. Shun Hing Square performed particularly well as it completed its renovation in November 2008, enabling the Group to increase occupancy.

Meanwhile, prices for the Group's properties have rebounded. In Shenzhen, for example, where most of the Group's existing investment properties are located, prices for residential apartments have recovered from its sharp decline in the second half of 2008. As a result, the Group recorded a HK\$84.4 million gain on its Shun Hing Square property.

Similarly in Tianjin, property prices in the Nankai District, the area that HKC is developing a major residential project, have recovered back to its level at the beginning of 2008. Demand was particularly strong for high end housing. As a result, HKC recorded a HK\$71.8 million gain on its Hongqi South Road project in Tianjin, and a HK\$117.9 million gain on its Tianjin Tuanbo Lake residential project.

Because of the impact from the world financial crisis, the Shanghai commercial market deteriorated during the first half of 2009 as lower demand and oversupply, particularly in Lujiazui, resulted in lower rents. However, there has been little new supply in the Hongkou District, the area where the Group is developing its North Bund and Sichuan Road properties. As a result, monthly rents in Hongkou actually strengthened, helping HKC's Sichuan Road project record a valuation gain of HK\$59.5 million. On 17th September 2009, two adjacent plots of land along the Huangpu River sold at auction at RMB33,826 per sq.m. and RMB36,481 per sq.m. respectively, significantly higher than the Group's interim valuation of its more attractive North Bund site of RMB16,712 per sq.m. (HKC's total attributable value is RMB1,044.5 million).

The Group bolstered its management ranks with the additions of Mr. Man Yee Wan as Managing Director and Executive Director for the Group and Mr. Simon Fok as Project Director. Mr. Wan has 40 years of working experience in the industry, having previously worked in the Hong Kong Government and as an Executive Director at a major Hong Kong developer. Mr. Fok has over 23 years of property experience in Hong Kong and the Mainland China, having previously worked at Henderson Land Group, Sun Hung Kai Properties Group and Nan Fung Group.

Alternative Energy

The Chinese government is increasing its efforts in promoting the alternative energy sector, not only to create more energy, but as a way to stimulate the economy. China is now mandating that by 2020, at least 15% of its energy capacity be generated from wind, solar, nuclear and other alternative energy power by 2020. Wind power capacity is to increase from 12,000 MW to over 100,000 MW by 2020, 233% higher than its original goal in 2007 to have 30,000 MW by 2020.

On 24th July 2009, the government issued guidelines for benchmark tariff rates ranging from RMB51 cents per KWH to RMB61 cents per KWH, depending on the region. Moreover, the government recognizes the need to significantly improve the infrastructure, and is asking various ministries to come up with a plan to achieve its targets. The country is building ultra-high voltage transmission lines and various 750kV stations and 500kV sub-stations. At the same time, wind farm operators are benefiting from a significant increase in the supply of wind turbines, resulting in greater supply compared to demand. As a result, wind turbine prices have declined—a decline which will result in lower costs and improved returns for the Group.

During the first half of the year, the Group, along with China Energy Conservation Investment Corporation ("CECIC"), completed the first phase of its Danjinghe wind farm. The windfarm is located north of Beijing, and is part of a 1,000 MW wind power project designated by the NDRC to be a showcase for China. The first phase, consisting of 40.5 MW, went into full commercial operation in March 2009. Construction was completed below budget. The initial data indicates that the wind operating hours are significantly above initial forecasts—data that may bode well for phases II and III of the project.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Infrastructure

The Group's water supply plant in the Yangpu Economic Development Zone in Hainan continued to make contributions to the Group. As sole supplier of raw water for industrial use in the area, it remains in an excellent position for achieving regular, reliable and long-term revenues. In early 2009, the Group entered into a supplemental agreement with Jinhai Paper Pulping Industrial Company Limited, Yangpu's largest customer, which has extended the supply agreement for an additional three years.

The Group's Build-Operate-Transfer ("BOT") toll road project in Guilin, which links up with China's Western Expressway, is in full operation. Traffic revenues have increased sharply compared to the beginning of the year, from around RMB28,000 (equivalent to approximately HK\$32,000) per day in January to around RMB54,000 (equivalent to approximately HK\$61,000) per day in August. As a result, the expressway's gross profits are at the breakeven level. Traffic has been increasing as residents become more familiar with the new road. New road signs have helped considerably to direct traffic to the toll road. Moreover, the government has been assisting by enforcing rules that require non local drivers to use the expressway.

Construction

The Group is carrying out a contract of drainage improvements in the Tuen Mun and Sham Tseng areas of Hong Kong from the Drainage Services Department of the HKSAR government, for a contract sum of approximately HK\$68.3 million.

Prospects

Properties

Given the strong demand for high end properties in Tianjin, HKC has decided to increase its emphasis on high end villas for its Hongqi South Road project. The current plan is now to develop the Tianjin residential project in three phases. The first phase will be comprised of high end villas. Given the current positive sentiment, HKC is targeting presales in the second half of 2010. The villas will have several attractive features including: a large basement that effectively increase the usable area by 40%; a spacious and airy design; and other environmentally friendly features. The high end villas will create a high end atmosphere for the overall development, and should enable HKC to sell the second phase two high rises at prices higher than that in the surrounding area. Phase three will be high end service apartments.

The Group completed construction of its 207,628 sq.m. development in Nanxun, Zhejiang Province on 18th May 2009. The three-storey building complex was completed within budget and will be used for companies involved in the trading of construction materials and furniture supply. HKC is now working closely with the local government on an appropriate strategy to close down an existing, older market, making the Group's market more attractive. The Group is now preparing the units for sale during the second half of 2009.

In Shanghai, the Group is continuing its site work for its North Bund project, while at the same time finalizing the design. Given the current market situation of a potentially oversupplied hotel market, the Group and the majority partner are looking to decrease the size of the hotel area, while simultaneously increase the size and efficiency of the office area. Other efficiencies, such as improving the shape of the building to lower construction costs, may also be implemented – efficiencies which should increase returns to the Group. At the same time, the Group is continuing work on the design of its Sichuan Road office building; and is working with the government to maximize the development potential of the site. HKC has hired Aedas to provide design work.

The Group is in active planning to develop its 94,500 sq.m. plot of land in Jiangmen. This plot of land is located directly next to Jiangmen's ferry terminal and close to a new light rail station to be completed in 2010. As a result, the Group believes the site is likely to increase in value, and offers strong potential as a high end low rise development. The project is currently in the design stage, and is looking to potentially build over 130 townhouses and over 1,000 apartments, and is targeting presales for the second half of 2010.

In Shenyang, the Group has received vacant possession of Lot C for its Shenyang Ningbo Road residential project, the land area designated for residents who have agreed to be resettled into the new apartment complex. Five towers are expected to be built in the area, with targeted completion by the end of 2010. Lots A and B will begin construction after all residents have agreed to be resettled. Meanwhile, for its Nanjing Road site, the Group expects to begin construction in 2011.

For the Group's Tuanbo Lake project in Tianjin, the Group expects to receive possession of the land in 2010. The Group has hired Belt Collins as the chief architecture firm, and believes that the Group will be able to produce a high quality product superior to that found in the surrounding areas.

Regarding its investment properties, the Group had tried selling some of its non core assets during the first half of the year. However, unfavorable market conditions made this attempt difficult. In Shenzhen, with the recovery in property prices, the Group anticipates it may be more successful in selling some of these non core assets in the second half of the year.

BUSINESS REVIEW (CONTINUED)

Alternative Energy

HKC expects to complete Phases II and III of its Danjinghe windfarm by the end of 2009, ahead of its original schedule of the end of 2010. Phase II consists of 80.0 MW, while phase III consists of 79.5 MW. Given the strong wind data for phase I, it is expected that phases II and III will also perform well.

Construction is also continuing for the Group's windfarm in Siziwang Qi, Inner Mongolia, with completion targeted for the end of 2009 or the first quarter of 2010. Meanwhile, construction of its 201.0 MW Gansu windfarm has commenced, with two-thirds of the foundation work having been completed. The first 68 out of 134 sets of wind turbines are expected to be installed and trial run set to begin by the end of 2009. HKC's 40% owned 25 MW waste-to-energy power plant with CECIC is in full operation. The plant commenced full operations in September 2007, and is making steady revenue contributions to the HKC Group.

Hong Kong Energy (Holdings) Limited ("HKE"), the Group's subsidiary is also making progress. HKE has begun construction for its windfarm in Lunaobao, Hebei Province. The project is a joint venture with CECIC, and is adjacent to the Danjinghe windfarm. The foundation work for the project has been completed and the control and step-up stations are now under renovation. Installation of wind turbines will begin by the end of this year, with commercial operation beginning in 2010.

HKE is also applying to the Inner Mongolia Development and Reform Commission to establish a second 49.5 MW wind farm at Siziwang Qi, Wulanchabu City, in Inner Mongolia Autonomous Region. Total investment would amount to approximately RMB480.5 million (equivalent to approximately HK\$546.4 million) and involve construction of 33 sets of 1,500kW wind turbines.

The intention of the Group remains to inject its alternative energy assets into HKE in the future so that the Group will be focused on property development while HKE's focus will be on alternative energy. The Group will explore plans and their feasibilities to inject these assets into HKE. In compliance with the applicable provisions of the listing rules, most of these assets cannot be injected until April 2010.

Contingent Liabilities

The details of the contingent liabilities of the Group are set out in the Note 22 to the condensed consolidated interim financial information.

Employee

As at 30th June 2009, the Group employed approximately 800 employees across its operations in Hong Kong and the Mainland China. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance and prevailing market 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 movements of the outstanding share options during the six months ended 30th June 2009 were as follows:–

Name of Directors	Nature of interest	Outstanding at 1st January 2009	Number of Share Options			Outstanding at 30th June 2009	Date of grant	Exercise period	Exercise price per share (HK\$)
			Granted	Exercised	Cancelled/ Lapsed				
Oei Kang, Eric ("Mr. Oei")	Personal	562,500	-	-	-	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.420
		937,500	-	-	-	937,500	15th December 2006	15th December 2008 to 14th December 2016	1.420
		300,000	-	-	-	300,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		450,000	-	-	-	450,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		750,000	-	-	-	750,000	1st February 2008	1st February 2011 to 31st January 2018	1.656
	Family	562,500	-	-	-	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.420
		937,500	-	-	-	937,500	15th December 2006	15th December 2008 to 14th December 2016	1.420
		300,000	-	-	-	300,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		450,000	-	-	-	450,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		750,000	-	-	-	750,000	1st February 2008	1st February 2011 to 31st January 2018	1.656

SHARE OPTIONS (CONTINUED)

Share Options of the Company (continued)

Name of Directors	Nature of interest	Outstanding at 1st January 2009	Number of Share Options			Outstanding at 30th June 2009	Date of grant	Exercise period	Exercise price per share (HK\$)
			Granted	Exercised	Cancelled/ Lapsed				
Tsang Sai Chung, Kirk ("Mr. Tsang") (resigned on 4th September 2009)	Personal	2,000,000	-	-	-	2,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420
		5,000,000	-	-	-	5,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.420
		1,600,000	-	-	-	1,600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		2,400,000	-	-	-	2,400,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		4,000,000	-	-	-	4,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656
Chan Kwok Fong, Joseph ("Mr. Chan") (resigned on 4th September 2009)	Personal	1,000,000	-	-	-	1,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420
		1,500,000	-	-	-	1,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.420
		2,500,000	-	-	-	2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420
		1,600,000	-	-	-	1,600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		2,400,000	-	-	-	2,400,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		4,000,000	-	-	-	4,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656

OTHER INFORMATION

SHARE OPTIONS (CONTINUED)

Share Options of the Company (continued)

Name of Directors	Nature of interest	Outstanding at 1st January 2009	Number of Share Options			Outstanding at 30th June 2009	Date of grant	Exercise period	Exercise price per share (HK\$)
			Granted	Exercised	Cancelled/ Lapsed				
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
		5,900,000	-	-	-	5,900,000	15th December 2006	15th December 2008 to 14th December 2016	1.420
		1,500,000	-	-	-	1,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420
		800,000	-	-	-	800,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		1,200,000	-	-	-	1,200,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		2,000,000	-	-	-	2,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656
Fan Yan Hok, Philip ("Mr. Fan")	Personal	600,000	-	-	-	600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		900,000	-	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		1,500,000	-	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656
Chung Cho Yee, Mico ("Mr. Chung")	Personal	600,000	-	-	-	600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		900,000	-	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		1,500,000	-	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656

SHARE OPTIONS (CONTINUED)

Share Options of the Company (continued)

Name of Directors	Nature of interest	Outstanding at 1st January 2009	Number of Share Options			Outstanding at 30th June 2009	Date of grant	Exercise period	Exercise price per share (HK\$)
			Granted	Exercised	Cancelled/ Lapsed				
Cheng Yuk Wo ("Mr. Cheng")	Personal	600,000	-	-	-	600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		900,000	-	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		1,500,000	-	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656
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
		900,000	-	-	-	900,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		1,500,000	-	-	-	1,500,000	1st February 2008	1st February 2011 to 31st January 2018	1.656
Sub-total		61,000,000	-	-	-	61,000,000			

OTHER INFORMATION

SHARE OPTIONS (CONTINUED)

Share Options of the Company (continued)

Name of Directors	Nature of interest	Outstanding at 1st January 2009	Number of Share Options			Outstanding at 30th June 2009	Date of grant	Exercise period	Exercise price per share (HK\$)
			Granted	Exercised	Cancelled/ Lapsed				
Employees and other participants		20,300,000	-	-	(8,600,000)	11,700,000	15th December 2006	15th December 2007 to 14th December 2016	1.420
		35,950,000	-	-	(13,700,000)	22,250,000	15th December 2006	15th December 2008 to 14th December 2016	1.420
		30,750,000	-	-	(9,500,000)	21,250,000	15th December 2006	15th December 2009 to 14th December 2016	1.420
		5,000,000	-	-	-	5,000,000	3rd July 2007	15th December 2007 to 2nd July 2017	2.300
		2,500,000	-	-	-	2,500,000	3rd July 2007	15th December 2008 to 2nd July 2017	2.300
		2,500,000	-	-	-	2,500,000	3rd July 2007	15th December 2009 to 2nd July 2017	2.300
		32,580,000	-	-	(6,240,000)	26,340,000	1st February 2008	1st February 2009 to 31st January 2018	1.656
		48,870,000	-	-	(9,360,000)	39,510,000	1st February 2008	1st February 2010 to 31st January 2018	1.656
		81,450,000	-	-	(15,600,000)	65,850,000	1st February 2008	1st February 2011 to 31st January 2018	1.656
Sub-total		259,900,000	-	-	(63,000,000)	196,900,000			
Total		320,900,000	-	-	(63,000,000)	257,900,000			

Share Options of the subsidiary of the Company

Hong Kong Energy (Holdings) Limited ("HKE"), a subsidiary of the Company, adopted a share option scheme on 27th May 2008 (the "HKE Option Scheme"). Up to 30th June 2009, no options had been granted by HKE under the HKE Option Scheme.

DIRECTORS' INTERESTS

As at 30th June 2009, 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 (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

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

Name	Nature of interest	Number of shares	Approximate percentage of the existing issued share capital of the Company
Mr. Oei	Personal	37,534,620 ¹	0.455%
	Corporate	3,703,432,684 ²	44.860%
	Joint	54,328,165 ³	0.658%
	Family	3,000,000 ⁴	0.036%
Mr. Tsang (resigned on 4th September 2009)	Personal	15,250,730 ⁵	0.185%
Mr. Chan (resigned on 4th September 2009)	Personal	13,000,000 ⁶	0.157%
Mr. Tang	Personal	15,139,620 ⁷	0.183%
	Family	196,410 ⁸	0.002%
Mr. Fan	Personal	3,000,000 ⁹	0.036%
Mr. Chung	Personal	3,000,000 ¹⁰	0.036%
Mr. Cheng	Personal	3,000,000 ¹¹	0.036%
Mr. da Rosa	Personal	3,000,000 ¹²	0.036%

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 34,534,620 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 2,904,637,037 shares of the Company, an interest in 568,906,947 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 38,314,782 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 52,703,860 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. Tsang represents an interest in 250,730 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.
6. 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.
7. The personal interest of Mr. Tang represents an interest in 116,351 shares of the Company, an interest in 23,269 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.
8. The family interest of Mr. Tang represents an interest in 163,536 shares of the Company and an interest in 32,874 underlying shares in respect of warrants issued by the Company held by his wife.
9. 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.
10. 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.
11. 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.
12. 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.

DIRECTORS' INTERESTS (CONTINUED)

(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
HKE	Mr. Oei	Corporate	594,286,600 ¹	77.811%
		Personal	1,190,848 ²	0.156%
		Joint	37,615 ³	0.005%
	Mr. Tsang (resigned on 4th September 2009)	Personal	17,291 ⁴	0.002%

Notes:

- The corporate interest of Mr. Oei represents (i) an interest in 572,598,298 shares of HKE and 335,124 underlying shares in respect of warrants issued by HKE held by the Company (since the Company is held as to approximately 35.184% by Creator, Mr. Oei is deemed to be interested in the same parcel of shares in which the Company is interested in HKE); (ii) an interest in 20,031,979 underlying shares in respect of warrants issued by HKE held by Creator; and (iii) an interest in 1,321,199 underlying shares in respect of warrants issued by HKE held by Genesis.
- The personal interest of Mr. Oei represents an interest in 1,190,848 underlying shares in respect of warrants issued by HKE.
- The joint interest of Mr. Oei represents an interest in 37,615 underlying shares in respect of warrants issued by HKE jointly held with his wife, Mrs. Oei.
- The personal interest of Mr. Tsang represents an interest in 17,291 underlying shares in respect of warrants issued by HKE.

Save as disclosed above, as at 30th June 2009, 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, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2009, 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	Nature of interest	Number of shares	Approximate percentage of existing issued share capital of the Company
Mrs. Oei	Personal	3,000,000 ¹	0.036%
	Corporate	229,888,700 ²	2.785%
	Joint	54,328,165 ³	0.658%
	Family	3,511,078,604 ⁴	42.530%
Creator	Beneficial owner	3,473,543,984 ⁵	42.075%
Stephen A. FEINBERG	Corporate	1,712,194,800	20.740%
Cerberus Institutional Associates, L.L.C. ("Cerberus")	Corporate	1,712,194,800 ⁶	20.740%
Promontoria Europe Investments XII LDC	Corporate	1,712,194,800	20.740%
Promontoria Holding Coöperatie U.A.	Corporate	1,712,194,800	20.740%
Promontoria Holding XXI B.V.	Corporate	1,712,194,800	20.740%
Penta Investment Advisers Limited ("Penta")	Investment manager	1,468,316,341 ⁷	17.786%
John ZWAANSTRA	Corporate	1,468,316,341	17.786%
Mercurius GP LLC	Founder of a discretionary trust	655,048,521	7.935%
Penta Asia Fund, Ltd.	Corporate	655,048,521	7.935%
Todd ZWAANSTRA	Trustee	655,048,521	7.935%

SUBSTANTIAL SHAREHOLDERS' INTERESTS (CONTINUED)

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

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 an interest in 191,573,918 shares and an interest in 38,314,782 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 an interest in 1,624,305 shares and an interest in 52,703,860 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 2,904,637,037 shares, an interest in 568,906,947 underlying shares in respect of warrants issued by the Company held by Creator, an interest in 34,534,620 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 2,904,637,037 shares and an interest in 568,906,947 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 285,365,800 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 1,298,154,824 shares and an interest in 170,161,517 underlying shares in respect of warrants issued by the Company 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 2009, 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 do not recommend the payment of an interim dividend (2008: HK1.5 cents per ordinary share) for the six months ended 30th June 2009.

BONUS ISSUE OF SHARES

The board of directors (the "Board") of the Company proposes to make a bonus issue of new shares of HK\$0.01 each to the shareholders whose names appear on the register of members of the Company on 30th October 2009 (the "Record Date") on the basis of 1 bonus share for every 10 ordinary shares to be held on the Record Date. The bonus shares will be issued and credited as fully paid upon issue and will rank *pari passu* in all respects with the existing shares with effect from the date of issue. The bonus issue will be funded by way of capitalisation of certain amount standing to the credit of the Company's contributed surplus account, and is conditional upon the approval of the shareholders at the special general meeting of the Company to be convened, and the granting by the Stock Exchange of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. A circular containing further details of the bonus issue and notice of the special general meeting will be despatched to the shareholders as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th October 2009 to 30th October 2009 (both dates inclusive), during which period no share transfers can be registered. In order to qualify for the abovementioned bonus issue, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share 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 28th October 2009.

OTHER INFORMATION

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 2009, 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2009.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30th June 2009 with all 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 chief executive officer of the Company attended the annual general meeting in the absence of the Chairman of the Board. Other members of the Board and the Chairmen of the relevant Board Committees are available to attend the annual general meeting to inter-face with, and answer questions from the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the 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 2009.

By order of the Board

HKC (HOLDINGS) LIMITED

OEI Kang, Eric

Executive Director and Chief Executive Officer

Hong Kong, 18th September 2009

HKC (HOLDINGS) LIMITED
香港建設(控股)有限公司

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