



INTERIM REPORT 2010  
二零一零年度中期業績報告

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. CHANG Li Hsien, Leslie (*Chief Executive Officer*)<sup>Δ</sup>
  - # Mr. WAN Man Yee (*Managing Director*)
  - \* 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 1 September 2010

## 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

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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## BRANCH SHARE REGISTRAR AND TRANSFER AGENT IN HONG KONG

Computershare Hong Kong Investor Services Limited  
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## E-MAIL ADDRESS

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## STOCK CODE

190

## WARRANT CODE

407, 492

The board of directors (“the Board”) of HKC (Holdings) Limited (“the Company” or “HKC”) wishes to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 June 2010 as follows:-

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2010

	Note	Unaudited Six months ended 30 June	
		2010 HK\$ Million	2009 HK\$ Million
<b>Revenue</b>	4	<b>297.3</b>	173.0
Cost of sales	7	(205.5)	(101.1)
<b>Gross profit</b>		<b>91.8</b>	71.9
Other income	5	28.4	117.1
Fair value adjustments on investment properties		1.4	145.5
(Provision for)/reversal of impairment losses on assets	6	(37.8)	320.9
Administrative expenses	7	(127.7)	(136.8)
Selling and distribution costs	7	(4.7)	(2.9)
Other and general expenses	7	(35.6)	(67.8)
<b>Operating (loss)/profit</b>		<b>(84.2)</b>	447.9
Finance income	8	7.7	4.9
Finance costs	8	(103.5)	(93.6)
Finance costs – net	8	(95.8)	(88.7)
Share of profits less losses of associated companies		36.9	27.5
Share of profits less losses of jointly controlled entities		(3.0)	78.0
<b>(Loss)/profit before income tax</b>		<b>(146.1)</b>	464.7
Income tax credit/(expense)	9	19.8	(93.0)
<b>(Loss)/profit for the period</b>		<b>(126.3)</b>	371.7
<b>Attributable to:</b>			
Equity holders of the Company		(105.1)	377.4
Non-controlling interest		(21.2)	(5.7)
		(126.3)	371.7
<b>(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company, expressed in HK cents per share</b>	10		
Basic		(1.0)	3.8
Diluted		(1.1)	3.7
<b>Dividend</b>	11	–	–

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 30 June 2010

	Unaudited Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
<b>(Loss)/profit for the period</b>	<b>(126.3)</b>	371.7
<b>Other comprehensive income</b>		
Fair value gains on available-for-sale financial assets	–	2.7
Currency translation differences – the Company and subsidiaries	171.6	(23.5)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>171.6</b>	(20.8)
<b>Total comprehensive income for the period</b>	<b>45.3</b>	350.9
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	50.2	357.8
Non-controlling interest	(4.9)	(6.9)
	<b>45.3</b>	350.9

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 30 June 2010

	Note	Unaudited as at 30 June 2010 HK\$ Million	Restated as at 31 December 2009 HK\$ Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	12	7,095.1	6,944.3
Prepaid land lease payments	12	3,310.1	3,324.5
Property, plant and equipment			
– Other property, plant and equipment	12	936.4	940.1
– Construction in progress	12	483.8	482.3
Intangible assets	13	1,169.8	1,191.6
Properties under development	14	344.4	271.0
Interests in associated companies		1,574.9	1,520.9
Interests in jointly controlled entities		1,877.2	1,854.8
Derivative financial instrument		5.0	5.0
Available-for-sale financial assets		27.6	27.2
<b>Total non-current assets</b>		<b>16,824.3</b>	<b>16,561.7</b>
<b>Current assets</b>			
Inventories	15	12.8	12.9
Properties held for sale	16	332.2	491.4
Financial assets at fair value through profit or loss		73.1	75.2
Trade and other receivables	17	363.4	382.4
Restricted cash		392.0	309.0
Cash and cash equivalents		2,681.5	2,210.0
<b>Total current assets</b>		<b>3,855.0</b>	<b>3,480.9</b>
<b>Total assets</b>		<b>20,679.3</b>	<b>20,042.6</b>

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2010

	Note	Unaudited as at 30 June 2010 HK\$ Million	Restated as at 31 December 2009 HK\$ Million
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	18	103.6	93.9
Reserves		12,353.4	12,335.6
<b>Equity attributable to equity holders of the Company</b>		<b>12,457.0</b>	<b>12,429.5</b>
<b>Non-controlling interest</b>		<b>1,010.8</b>	<b>974.4</b>
<b>Total equity</b>		<b>13,467.8</b>	<b>13,403.9</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	3,513.2	3,330.1
Amount due to a shareholder		771.4	–
Other non-current payables		325.3	325.7
Deferred income tax liabilities		1,111.6	1,110.2
<b>Total non-current liabilities</b>		<b>5,721.5</b>	<b>4,766.0</b>
<b>Current liabilities</b>			
Trade and other payables	20	868.6	1,033.7
Borrowings	19	615.5	466.2
Amount due to a shareholder		–	362.1
Current income tax liabilities		5.9	10.7
<b>Total current liabilities</b>		<b>1,490.0</b>	<b>1,872.7</b>
<b>Total liabilities</b>		<b>7,211.5</b>	<b>6,638.7</b>
<b>Total equity and liabilities</b>		<b>20,679.3</b>	<b>20,042.6</b>
<b>Net current assets</b>		<b>2,365.0</b>	<b>1,608.2</b>
<b>Total assets less current liabilities</b>		<b>19,189.3</b>	<b>18,169.9</b>

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 30 June 2010

Unaudited						
Attributable to equity holders of the Company						
Note	Share capital HK\$ Million	Other reserves HK\$ Million	(Accumulated losses) / retained earnings HK\$ Million	Total HK\$ Million	Non- controlling interest HK\$ Million	Total equity HK\$ Million
<b>Balance at 1 January 2009</b>	82.5	12,132.5	(1,376.1)	10,838.9	742.9	11,581.8
<b>Total comprehensive income for the period ended 30 June 2009</b>	-	(19.6)	377.4	357.8	(6.9)	350.9
<b>Transactions with owners in their capacity as owners:</b>						
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	18	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 non-controlling shareholders	-	-	-	-	1.0	1.0
<b>Balance at 30 June 2009</b>	82.6	12,091.4	(963.3)	11,210.7	724.3	11,935.0
<b>Balance at 1 January 2010</b>	93.9	12,207.9	127.7	12,429.5	974.4	13,403.9
<b>Total comprehensive income for the period ended 30 June 2010</b>	-	155.3	(105.1)	50.2	(4.9)	45.3
<b>Transactions with owners in their capacity as owners:</b>						
Employee share option benefits	-	7.6	-	7.6	-	7.6
Release of reserves upon the lapse of share options	-	(22.9)	22.9	-	-	-
Repurchase of shares	18	(1.3)	-	(1.3)	-	(1.3)
Issue of bonus shares	18	9.4	(9.4)	-	-	-
Exercise of bonus warrants	18	0.3	11.0	-	11.3	11.3
Increase in non-controlling interest						
– upon exercise of bonus warrants issued by a subsidiary of the Company	-	(1.0)	-	(1.0)	3.0	2.0
– upon distribution of certain shares of a subsidiary held by the Group	-	(39.3)	-	(39.3)	39.3	-
Dividends paid to non-controlling shareholders	-	-	-	-	(2.3)	(2.3)
Decrease in amounts due from non-controlling shareholders	-	-	-	-	1.3	1.3
<b>Balance at 30 June 2010</b>	103.6	12,307.9	45.5	12,457.0	1,010.8	13,467.8

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



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
Net cash used in operating activities	(40.5)	(68.6)
Net cash used in investing activities	(30.9)	(247.5)
Net cash generated from financing activities	510.1	474.6
Net increase in cash and cash equivalents	438.7	158.5
Cash and cash equivalents at 1 January	2,210.0	1,836.9
Effect of foreign exchange rate changes	32.8	(11.2)
Cash and cash equivalents at 30 June	2,681.5	1,984.2
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	1,672.9	1,492.3
Short term bank deposits	1,400.6	958.8
Restricted cash	(392.0)	(466.9)
	2,681.5	1,984.2

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 operation, infrastructure and construction. The investments of the Group are mainly located in the Mainland China.

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

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 was approved for issue by the Board of Directors on 26 August 2010.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34 “Interim financial reporting”. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, 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.

For the financial year beginning on 1 January 2010, the Group has adopted the following amendments to standards and interpretation of HKFRS, which are relevant to its operations.

HKAS 7 (amendment)	Statement of cash flows
HKAS 17 (amendment)	Leases
HKAS 27 (revised)	Consolidated and separate financial statements
HKFRS 3 (revised)	Business combinations
HKFRS 8 (amendment)	Operating segments
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. ACCOUNTING POLICIES (continued)

The Group has assessed the impact for the adoption of these amendments to standards and interpretation and considered that there was no significant effect on the Group's interim financial information except for HKAS 17 (amendment) as set out below.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid land lease payments", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified the leasehold land from operating lease to finance lease.

The effect of the adoption of the amendment on the consolidated financial information as at 1 January 2010 and 1 January 2009 are to increase property, plant and equipment by HK\$78.8 million and HK\$80.7 million respectively with corresponding reductions in prepaid land lease payments. The depreciation charges have increased by HK\$0.9 million with corresponding reductions in the amortisation charges both for the six months ended 30 June 2010 and 2009.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 January 2010, are not currently relevant for the Group or do not have material impact on the Group in the period ended 30 June 2010.

The Group has not early adopted the new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning 1 January 2010. 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.

## 4. SEGMENT INFORMATION

Segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group is organised into the following segments: Property under development (for sale or leasing upon completion of construction work), Property investment and leasing, Infrastructure, Alternative energy, Construction, Hotel and catering services, and Other operations.

The Group's most senior executive management assesses the performance of the operating segments based on operating profit/(loss) after interest income and expenses, taxation and share of profits/(losses) of associated companies and jointly controlled entities. Corporate expenses mainly include the employee expenses of the head office, interest income and expenses arising from the holding companies and other administrative expenses of the head office.

#### 4. SEGMENT INFORMATION (continued)

The Group's segment assets exclude financial assets at fair value through profit or loss, available-for-sale financial assets as well as derivative financial instrument among which are managed on a central basis. These are part of the reconciliation to total balance sheet assets. Corporate assets mainly include the cash at bank, property, plant and equipment and other receivables held by the head office. The assets of each reportable segment comprise the inter-segment receivables.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to management is measured in a manner consistent with that in the condensed consolidated interim income statement. Total segment revenue also represents the Group's turnover.

The segment information for the reportable segments for the period ended 30 June 2010 and 2009 is as follows:

	Property under development											
	Shanghai and Zhejiang			Shenyang			Tianjin			Other area		Total reportable segments
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million		
<b>Six months ended</b>												
<b>30 June 2010</b>												
Revenue from external customers	-	-	-	-	207.0	31.9	26.3	11.1	19.6	1.4	297.3	
Inter-segment revenue	-	-	-	-	0.5	-	-	-	-	-	0.5	
<b>Total segment revenue</b>	-	-	-	-	207.5	31.9	26.3	11.1	19.6	1.4	297.8	
Operating (loss)/profit	(8.3)	(10.6)	(14.7)	(2.6)	46.1	8.4	12.3	(32.0)	(42.9)	(29.8)	(74.1)	
Finance income	0.9	0.9	1.2	-	0.8	0.1	-	-	-	0.2	4.1	
Finance costs	(8.7)	-	-	-	(23.5)	(35.6)	(12.6)	-	(4.8)	(3.9)	(89.1)	
Share of profits less losses of associated companies	-	-	-	-	35.3	-	1.6	-	-	-	36.9	
Share of profits less losses of jointly controlled entities	(4.0)	-	-	-	-	-	-	-	-	1.0	(3.0)	
<b>(Loss)/profit before income tax</b>	(20.1)	(9.7)	(13.5)	(2.6)	58.7	(27.1)	1.3	(32.0)	(47.7)	(32.5)	(125.2)	
Income tax credit/(expense)	(2.0)	(0.2)	2.4	-	15.1	-	0.1	3.6	-	0.8	19.8	
<b>(Loss)/profit for the period</b>	(22.1)	(9.9)	(11.1)	(2.6)	73.8	(27.1)	1.4	(28.4)	(47.7)	(31.7)	(105.4)	
Depreciation	(1.1)	(0.9)	(0.4)	-	(0.6)	(10.5)	(12.7)	(1.0)	(4.1)	(1.2)	(32.5)	
Amortisation	-	(7.0)	(9.6)	(1.5)	-	(4.0)	(0.2)	-	-	(1.0)	(23.3)	
Fair value adjustments on investment properties	8.0	1.0	-	-	(7.6)	-	-	-	-	-	1.4	
(Provision for)/reversal of impairment losses	-	-	-	-	0.7	-	-	(0.5)	(33.8)	(4.2)	(37.8)	

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION (continued)

	Property under development				Property investment and leasing HK\$ Million	Infrastructure HK\$ Million	Alternative energy HK\$ Million	Construction HK\$ Million	Hotel and catering services HK\$ Million	Other operations HK\$ Million	Total reportable segments HK\$ Million
	Shanghai and Zhejiang HK\$ Million	Shenyang HK\$ Million	Tianjin HK\$ Million	Other area HK\$ Million							
<b>Six months ended</b>											
<b>30 June 2009</b>											
Revenue from external customers	-	-	-	-	66.4	24.7	30.1	15.7	16.3	19.8	173.0
Inter-segment revenue	-	-	-	-	0.8	-	-	71.7	-	-	72.5
<b>Total segment revenue</b>	-	-	-	-	67.2	24.7	30.1	87.4	16.3	19.8	245.5
<b>Operating (loss)/profit</b>	110.3	63.7	189.5	23.4	177.7	(1.7)	9.1	(0.8)	(13.7)	(26.0)	531.5
Finance income	0.5	0.8	0.5	-	0.6	0.5	0.5	-	-	0.4	3.8
Finance costs	-	-	-	-	(27.0)	(37.3)	(16.1)	-	(4.7)	(7.7)	(92.8)
Share of profits less losses of associated companies	-	-	-	-	29.6	-	(1.8)	-	-	(0.3)	27.5
Share of profits less losses of jointly controlled entities	77.0	-	-	-	-	-	-	-	-	1.0	78.0
<b>(Loss)/profit before income tax</b>	187.8	64.5	190.0	23.4	180.9	(38.5)	(8.3)	(0.8)	(18.4)	(32.6)	548.0
Income tax credit/(expense)	(25.1)	(3.6)	(48.3)	-	(16.2)	-	-	-	-	0.2	(93.0)
<b>(Loss)/profit for the period</b>	162.7	60.9	141.7	23.4	164.7	(38.5)	(8.3)	(0.8)	(18.4)	(32.4)	455.0
Depreciation	(0.4)	(0.9)	(0.4)	-	(1.1)	(10.7)	(14.7)	(1.4)	(3.7)	(1.6)	(34.9)
Amortisation	-	(6.3)	(20.3)	(1.7)	-	(3.4)	(2.7)	-	-	(1.0)	(35.4)
Fair value adjustments on investment properties	59.5	14.2	-	-	71.8	-	-	-	-	-	145.5
Reversal of impairment losses	59.7	60.7	213.7	10.8	-	-	-	-	-	-	344.9

#### 4. SEGMENT INFORMATION (continued)

	Property under development				Property investment and leasing HK\$ Million	Infrastructure HK\$ Million	Alternative energy HK\$ Million	Construction HK\$ Million	Hotel and catering services HK\$ Million	Other operations HK\$ Million	Total reportable segments HK\$ Million
	Shanghai and Zhejiang HK\$ Million	Shenyang HK\$ Million	Tianjin HK\$ Million	Other area HK\$ Million							
<b>As at 30 June 2010</b>											
Total assets	6,142.9	1,431.6	2,952.8	133.7	5,386.5	1,467.7	2,098.0	2,057.0	690.0	45.3	22,405.5
Total assets include:											
Interests in associated companies	-	-	-	-	341.7	-	667.9	-	571.8	(6.5)	1,574.9
Interests in jointly controlled entities	1,878.6	-	-	-	-	-	-	-	-	(1.4)	1,877.2
<b>As at 31 December 2009</b>											
Total assets	6,108.1	1,420.8	2,812.9	132.8	5,163.8	1,449.8	2,140.0	1,817.0	695.3	54.3	21,794.8
Total assets include:											
Interests in associated companies	-	-	-	-	306.4	-	656.2	-	564.9	(6.6)	1,520.9
Interests in jointly controlled entities	1,856.2	-	-	-	-	-	-	-	-	(1.4)	1,854.8

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

	Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
(Loss)/profit for the period of reportable segments	(105.4)	455.0
Unallocated amounts:		
Corporate expenses	(35.2)	(81.9)
Intra group elimination	14.3	(1.4)
(Loss)/profit for the period of the Group	(126.3)	371.7

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION (continued)

Reportable segments' assets are reconciled to total assets as follows:

	As at	
	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Total segment assets	22,405.5	21,794.8
Head office assets	1,968.8	1,523.0
Intra group elimination	(3,800.7)	(3,416.4)
Derivative financial instrument	5.0	5.0
Available-for-sale financial assets	27.6	27.2
Financial assets at fair value through profit or loss	73.1	75.2
Other unallocated amounts	–	33.8
<b>Total assets per consolidated balance sheet</b>	<b>20,679.3</b>	<b>20,042.6</b>

Revenue from external customers in the Mainland China for the six months ended 30 June 2010 is HK\$285.6 million (Six months ended 30 June 2009: HK\$152.8 million), and the total of revenue from external customers from other areas is HK\$11.7 million (Six months ended 30 June 2009: HK\$20.2 million).

For the six months ended 30 June 2010, revenue of approximately HK\$26.3 million (Six months ended 30 June 2009: HK\$30.1 million) derived from a single external customer is attributable to the alternative energy business.

## 5. OTHER INCOME

	Unaudited Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
Property management fee income	5.2	7.1
Net exchange gain	9.1	8.8
Write back of provision for		
– management fee for vacant units in properties (Note)	–	62.5
– Mainland China business tax	6.9	–
Gain on the completion of liquidation of subsidiaries	0.1	23.9
Gain on the disposal of a subsidiary	–	7.6
Fair value gain on financial asset at fair value through profit or loss – net	–	0.2
Gain on disposal of property, plant and equipment	0.2	–
Others	6.9	7.0
<b>Total</b>	<b>28.4</b>	<b>117.1</b>

Note:

In 2009, the Group considered the payment for management fee in respect of some of its vacant units in its investment portfolio was fairly remote. As a result, a total of HK\$62.5 million was written back.



## 6. (PROVISION FOR)/REVERSAL OF IMPAIRMENT LOSSES ON ASSETS

	Unaudited Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
(Provision for)/reversal of impairment losses on		
– prepaid land lease payments, net (Note (a))	–	320.9
– goodwill (Note (b))	(33.8)	–
– other intangible assets	(4.3)	–
– trade and other receivables	0.3	–
	(37.8)	320.9

Notes:

- (a) For the period ended 30 June 2009, the Group had reversed part of the impairment provision made on the prepaid land lease payments based on the increased recoverable amount of the prepaid land lease payments following a strong improvement in the PRC property market recorded in the first six months of 2009.
- (b) For the period ended 30 June 2010, the Group has made a provision of goodwill attribute to a Beijing property project as a result of a decrease in the property's recoverable amount from previous years. The recoverable amount was determined based on the projected net cash inflow of the respective property leasing units with reference to the valuation report prepared by Knight Frank Petty Limited ("Knight Frank"), an independent firm of surveyors.

## 7. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging the following items:

	Unaudited Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
Employee benefit expenses (including directors' emoluments)	(64.9)	(73.5)
Employee share options benefits	(7.6)	(17.3)
Amortisation		
– prepaid land lease payments (Note 12)	(20.1)	(30.3)
– intangible assets (Note 13)	(4.3)	(6.4)
Depreciation of property, plant and equipment (Note 12)	(36.4)	(38.3)
Cost of inventories	(7.0)	(29.8)
Cost of properties sold	(139.0)	–
Direct operating expenses arising from investment properties that generate rental income	(0.2)	(1.9)
Auditor's remuneration – audit service	(2.3)	(2.3)
Operating lease payments	(6.6)	(8.0)
Write down of inventories	–	(4.2)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
Interest expenses on bank loans and other borrowings:		
Wholly repayable within 5 years	(51.9)	(44.2)
Not wholly repayable within 5 years	(79.2)	(72.3)
	(131.1)	(116.5)
Less: capitalised in construction in progress and properties under development	27.6	22.9
Finance costs	(103.5)	(93.6)
Finance income – interest income from bank deposits	7.7	4.9
Net finance costs	(95.8)	(88.7)

## 9. INCOME TAX CREDIT/(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 (2009: 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% (2009: 20% to 25%).

	Unaudited Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
Current income tax		
Mainland China income tax	–	(0.4)
Over provision in prior years	3.6	–
	3.6	(0.4)
Deferred income tax credit/(expense)	16.2	(92.6)
	19.8	(93.0)

Note:

The share of income tax expense of associated companies of HK\$9.0 million (2009: HK\$6.3 million) and the share of income tax credit of jointly controlled entities of HK\$0.7 million (2009: share of income tax expense of HK\$27.3 million) are included in the Group's share of profits less losses of associated companies and share of profits less losses of jointly controlled entities respectively.

## 10. (LOSS)/EARNINGS PER SHARE

### (a) Basic

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

	Six months ended 30 June	
	2010	2009
(Loss)/profit attributable to equity holders of the Company (HK\$ Million)	(105.1)	377.4
Weighted average number of ordinary shares in issue (Million)	10,196.4	9,988.5*
Basic (loss)/earnings per share (HK cents per share)	(1.0)	3.8

### (b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares including 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 30 June	
	2010	2009
(Loss)/profit attributable to equity holders of the Company (HK\$ Million)	(105.1)	377.4
Effect of assumed conversion of convertible notes (HK\$ Million)	(2.4)	-
	(107.5)	377.4
Weighted average number of ordinary shares in issue (Million)	10,196.4	9,988.5*
Adjustments for bonus warrants (Million)	-	81.4
Weighted average number of ordinary shares for diluted (loss)/earnings per share (Million)	10,196.4	10,069.9
Diluted (loss)/earnings per share (HK cents per share)	(1.1)	3.7

Diluted (loss)/earnings per share for the period ended 30 June 2010 did not assume the exercise of the share options and bonus warrants of the Company outstanding and the share options and warrants of its listed subsidiary during the period since the exercise would have an anti-dilutive effect.

\* Weighted average number of ordinary shares in issue for 2009 was adjusted for a bonus issue in 2009 and 2010.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

## 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
<b>Six months ended 30 June 2009</b>				
Opening net book amount at 1 January 2009	2,827.4	5,969.7	937.1	160.3
Reclassification as a result of the adoption of HKAS 17 (amendment)	–	(80.7)	80.7	–
Restated opening net book amount at 1 January 2009	2,827.4	5,889.0	1,017.8	160.3
Currency translation differences	(3.1)	(2.8)	(4.1)	–
Additions	6.2	–	7.8	19.7
Transfer in/(out)	3,152.2	(2,973.5)	–	–
Disposal	–	–	(0.1)	–
Fair value adjustments	145.5	–	–	–
Reversal of impairment loss (Note c)	–	344.9	–	–
Depreciation and amortisation	–	(31.6)	(39.1)	–
Closing net book amount at 30 June 2009	6,128.2	3,226.0	982.3	180.0
<b>Six months ended 30 June 2010</b>				
<b>Opening net book amount at 1 January 2010</b>	<b>6,944.3</b>	<b>3,403.3</b>	<b>861.3</b>	<b>482.3</b>
Reclassification as a result of the adoption of HKAS 17 (amendment)	–	(78.8)	78.8	–
<b>Restated opening net book amount at 1 January 2010</b>	<b>6,944.3</b>	<b>3,324.5</b>	<b>940.1</b>	<b>482.3</b>
Currency translation differences	103.2	49.0	13.8	7.2
Additions	0.2	–	1.6	27.7
Transfer in/(out)	46.0	(28.7)	17.8	–
Cost adjustments	–	–	–	(33.4)
Disposal	–	–	(0.3)	–
Fair value adjustments	1.4	–	–	–
Depreciation and amortisation	–	(34.7)	(36.6)	–
<b>Closing net book amount at 30 June 2010</b>	<b>7,095.1</b>	<b>3,310.1</b>	<b>936.4</b>	<b>483.8</b>

## 12. CAPITAL EXPENDITURE (continued)

Notes:

- (a) During the period under review, amortisation expenses for prepaid land lease payments of HK\$14.6 million (2009: HK\$1.3 million) have been capitalised in properties under development.
- (b) Depreciation expenses for property, plant and equipment of HK\$0.2 million (2009: HK\$0.8 million) have been capitalised and included as part of the additions in construction in progress under property, plant and equipment and properties under development.
- (c) During the six-month period ended 2009, the recoverable amounts of the prepaid land lease payments were determined with reference to the valuation report prepared by Knight Frank. The methodology of valuation of properties adopted for the period under review was the same as which adopted in the year ended 31 December 2008.

## 13. 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 30 June 2009					
Opening net book amount at 1 January 2009	33.8	1,143.5	27.3	12.6	1,217.2
Currency translation 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 30 June 2009	33.8	1,142.9	-	11.5	1,188.2
Six months ended 30 June 2010					
Opening net book amount at 1 January 2010	33.8	1,148.2	-	9.6	1,191.6
Currency translation differences	-	17.1	-	-	17.1
Additions	-	3.5	-	-	3.5
Provision for impairment losses	(33.8)	-	-	(4.3)	(38.1)
Amortisation	-	(3.2)	-	(1.1)	(4.3)
Closing net book amount at 30 June 2010	-	1,165.6	-	4.2	1,169.8

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14. PROPERTIES UNDER DEVELOPMENT

	<b>As at</b>	
	<b>30 June 2010 HK\$ Million</b>	31 December 2009 HK\$ Million
Properties under development comprise:		
Construction costs and capitalised expenditure	<b>327.9</b>	269.1
Amortisation of prepaid land lease payments	<b>16.5</b>	1.9
	<b>344.4</b>	271.0

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

## 15. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. No inventories were written down for the six months ended 30 June 2010. For the six months ended 30 June 2009, inventories amounting to HK\$4.2 million were written down due to a fall in selling prices and were included in "other and general expenses".

## 16. PROPERTIES HELD FOR SALE

At 30 June 2010, properties held for sale that are carried at net realisable value amounted to HK\$332.2 million (31 December 2009: HK\$491.4 million).

## 17. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Trade receivables	65.9	75.1
Less: provision for impairment	(20.1)	(19.9)
Trade receivables – net	45.8	55.2
Bills receivable	8.1	14.8
Retention receivables	29.3	30.0
Other receivables and deposits, net of provisions	191.8	169.2
Gross amounts due from customers for contract works	77.3	85.1
Amounts due from related companies	11.1	28.1
	<b>363.4</b>	<b>382.4</b>

At 30 June 2010 and 31 December 2009, the ageing analysis of trade receivables, net of provision for impairment, was as follows:

	As at	
	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
0 to less than 2 months	6.8	13.6
2 to less than 6 months	6.2	3.6
6 to less than 12 months	20.2	21.3
12 months and more	12.6	16.7
	<b>45.8</b>	<b>55.2</b>

The Group's credit terms for the 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 the respective contracts.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18. SHARE CAPITAL

	Note	Number of shares (Million)	Ordinary shares HK\$ Million
<b>Authorised</b>			
At 1 January and 30 June 2009, 1 January and 30 June 2010		30,000.0	300.0
<b>Issued and fully paid</b>			
At 1 January 2009		8,254.8	82.5
Exercise of bonus warrants "407"	(a)	0.8	0.1
At 30 June 2009		8,255.6	82.6
<b>At 1 January 2010</b>			
Exercise of bonus warrants "407"	(a)	31.0	0.3
Exercise of bonus warrants "492"	(b)	0.3	–
Issue of bonus shares	(c)	942.5	9.4
Repurchase during the period	(d)	(2.0)	–
<b>At 30 June 2010</b>		<b>10,367.5</b>	<b>103.6</b>

Notes:

- (a) On 22 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 22 May 2009 to 21 May 2011 for fully paid shares at a subscription price of HK\$0.40 per share (subject to adjustment).

During the period ended 30 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 30 June 2009, 824,698,386 units of bonus warrants "407" remained outstanding.

On 30 October 2009, the subscription price of bonus warrants "407" was adjusted to HK\$0.36 per share as a result of issue of bonus shares in 2009.

On 1 June 2010, the subscription price of bonus warrants "407" was further adjusted to HK\$0.313 per share as a result of issue of bonus shares, issue of bonus warrants and distribution in specie made by the Company in June 2010.

During the period ended 30 June 2010, 31,016,039 new ordinary shares of HK\$0.01 each were issued upon the exercise of 31,016,039 units of bonus warrants "407". As at 30 June 2010, 503,374,084 units of bonus warrants "407" remained outstanding.

## 18. SHARE CAPITAL (continued)

Notes: (continued)

- (b) On 9 June 2010, the Company issued 942,466,221 warrants (Warrant Code: 492) on the basis of one warrant for every ten existing shares of the Company held by the shareholders ("bonus warrants "492"). The holders of bonus warrants "492" are entitled to subscribe at any time during 9 June 2010 to 8 June 2011 for fully paid shares at a subscription price of HK\$0.50 per share (subject to adjustment).

During the period ended 30 June 2010, 312,944 new ordinary shares of HK\$0.01 each were issued upon the exercise of 312,944 units of bonus warrants "492". As at 30 June 2010, 942,153,277 units of bonus warrants "492" remained outstanding.

- (c) On 9 June 2010, the Company issued 942,466,221 bonus shares on the basis of 1 bonus share for every 10 ordinary shares held. The bonus shares are issued and credited as fully paid upon issue and are rank pari passu in all respects with the existing shares with effect from the date of issue. The issue of bonus shares is funded by way of capitalisation of certain amount standing to the credit of the Company's contributed surplus account.
- (d) For the period ended 30 June 2010, the Company repurchased a total of 2,000,000 of its own shares on 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 and lowest HK\$
January 2010	2,000,000	1.3	0.63

- (e) Share options are granted to employees, senior executives or officers, managers, directors or consultants 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 price 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18. SHARE CAPITAL (continued)

Notes: (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollars per share	Number of options		Average exercise price in HK dollars per share	Number of options
At 1 January 2010	1.465	235,840,000	At 1 January 2009	1.593	320,900,000
Granted	0.630	30,000,000	Granted	-	-
Lapsed before the issue of bonus shares	1.434	(53,350,000)	Lapsed before the issue of bonus shares	1.554	(90,000,000)
Issue of bonus shares	-	21,249,000	Issue of bonus shares	-	23,090,000
Lapsed after the issue of bonus shares	-	-	Lapsed after the issue of bonus shares	1.421	(18,150,000)
At 30 June 2010	1.231	233,739,000	At 31 December 2009	1.465	235,840,000

Outstanding share options at 30 June 2010 and 31 December 2009 are as follows:

Date of grant	Exercise period	Exercise price per share (adjusted) (HK\$)	Outstanding at 30 June 2010	Outstanding at 31 December 2009
15 December 2006	15 December 2007 to 14 December 2016	1.174	15,276,250	18,067,500
15 December 2006	15 December 2008 to 14 December 2016	1.174	28,223,250	34,127,500
15 December 2006	15 December 2009 to 14 December 2016	1.174	19,057,500	22,275,000
3 July 2007	15 December 2007 to 2 July 2017	1.901	6,050,000	5,500,000
3 July 2007	15 December 2008 to 2 July 2017	1.901	3,025,000	2,750,000
3 July 2007	15 December 2009 to 2 July 2017	1.901	3,025,000	2,750,000
1 February 2008	1 February 2009 to 31 January 2018	1.368	25,216,400	30,074,000
1 February 2008	1 February 2010 to 31 January 2018	1.368	37,824,600	45,111,000
1 February 2008	1 February 2011 to 31 January 2018	1.368	63,041,000	75,185,000
20 January 2010	20 January 2011 to 19 January 2013	0.573	6,600,000	-
20 January 2010	20 January 2012 to 19 January 2014	0.573	9,900,000	-
20 January 2010	20 January 2013 to 19 January 2015	0.573	16,500,000	-
		Total	233,739,000	235,840,000

Using the Binomial Valuation model, the fair value of 30,000,000 share options granted on 20 January 2010 (adjusted to 33,000,000 share options) was HK\$7.5 million for the period under review. The significant inputs into the model were share price of HK\$0.573 (adjusted) at the grant date, exercise price of HK\$0.573 (adjusted), volatility ranging from 60% to 69%, dividend yield of 2.759%, an expected option life of 3 to 5 years and on normal risk-free interest rate ranging from 1.003% to 1.877%. 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 20 January 2011 to 19 January 2015. 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.

## 19. BORROWINGS

	As at	
	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Non-current	3,513.2	3,330.1
Current	615.5	466.2
	<b>4,128.7</b>	<b>3,796.3</b>

Movements in borrowings are analysed as follows:

	HK\$ Million
Six months ended 30 June 2009	
Opening amount at 1 January 2009	3,596.1
Currency translation differences	(1.8)
New borrowings	561.2
Repayments of borrowings	(201.5)
Closing amount as at 30 June 2009	3,954.0
<b>Six months ended 30 June 2010</b>	
<b>Opening amount at 1 January 2010</b>	<b>3,796.3</b>
Currency translation differences	54.7
New borrowings	477.3
Repayments of borrowings	(199.6)
<b>Closing amount as at 30 June 2010</b>	<b>4,128.7</b>

## 20. TRADE AND OTHER PAYABLES

	As at	
	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Trade payables	38.1	40.6
Retention payables	28.3	27.9
Other payables and accruals	802.2	965.2
	<b>868.6</b>	<b>1,033.7</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20. TRADE AND OTHER PAYABLES (continued)

At 30 June 2010 and 31 December 2009, the ageing analysis of trade payables was as follows:

	As at	
	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
0 to less than 2 months	4.3	8.6
2 to less than 6 months	3.3	0.6
6 to less than 12 months	1.3	0.5
12 months and more	29.2	30.9
	<b>38.1</b>	40.6

## 21. CONTINGENT LIABILITIES

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 1 November 1994. Contingent liabilities of RMB75.8 million (equivalent to approximately HK\$87.4 million) (31 December 2009: RMB75.8 million (equivalent to approximately HK\$86.1 million)) arising in this respect have been assessed by management with reference to the legal opinion previously obtained. 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 provision for the fund is considered necessary.

## 22. CAPITAL COMMITMENTS

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

	As at	
	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
<b>(a) Capital commitments undertaken by the Group</b>		
(i) Property, plant and equipment		
– Contracted but not provided for	83.8	108.5
– Authorised but not contracted for	313.9	309.3
(ii) Property development projects		
– Contracted but not provided for	459.6	357.9
– Authorised but not contracted for	4.2	–
	<b>861.5</b>	775.7
<b>(b) Capital commitments undertaken by the jointly controlled entities</b>		
Property development projects		
Contracted but not provided for – the Group's share	131.6	141.6

## 23. 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:

	Note	Six months ended 30 June	
		2010 HK\$ Million	2009 HK\$ Million
Income from supply of water to Jinhai Paper Pulping Industrial Company Limited	(a)	16.2	10.9
Consultancy fee paid	(b)	(4.2)	(1.7)
Interest paid on shareholders' loans			
– Creator Holdings Limited	(c)	(5.6)	–
– Genesis Capital Group Limited	(d)	(8.3)	–
		(13.9)	–

- (a) Yangpu Water Supply Company Limited, a subsidiary of which 65% equity interest held 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 commenced from 1 January 2009. Income from Jinhai was conducted on terms as set out in the agreement and supplemental agreement governing this transaction.
- (b) On 2 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 4 September 2009, pursuant to which a fee was paid by the Group on a monthly basis for the provision of consultancy services rendered.
- (c) On 8 November 2009, the Company entered into a revolving loan agreement with Creator Holdings Limited (“Creator”) (a company owned as to 50% by Mr. Oei Kong, Eric), under which the Company might borrow up to HK\$800.0 million for a period of 36 months from the date of the agreement. The loan was unsecured, carried interest at the Hong Kong dollar prime rate plus 2% per annum and was repayable on demand.

The interest was paid on terms as set out in the agreement. There was no outstanding loan balance owed to Creator by the Group as at 30 June 2010 (31 December 2009: HK\$362.1 million).

- (d) On 29 June 2010, the Company entered into a supplemental agreement with Genesis Capital Group Limited (“Genesis”), one of the substantial shareholders of the Company, for amending and supplementing the revolving loan agreement dated 8 October 2007, under which the Company might borrow up to HK\$1,000.0 million for a period of 96 months from the date of the said loan agreement dated 8 October 2007. The loan was unsecured and carried interest at the Hong Kong dollar prime rate plus 2% per annum. The Company was required to repay the loan and accrued interest thereon at the expiry of the said agreement.

The interest was paid on terms as set out in the agreement. The outstanding loan balance owed to Genesis by the Group as at 30 June 2010 was HK\$771.4 million (31 December 2009: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 23. RELATED-PARTY TRANSACTIONS (continued)

### (e) Key management compensation

	Six months ended 30 June	
	2010 HK\$ Million	2009 HK\$ Million
Directors' fees	(0.2)	(0.4)
Salary and other benefits	(9.1)	(10.6)
Employer's contribution to pension scheme	–	(0.1)
Share option benefits	(2.4)	(3.9)
	<b>(11.7)</b>	<b>(15.0)</b>

## 24. EVENTS AFTER THE REPORTING PERIOD

On 12 May 2010, Hong Kong Energy (Holdings) Limited ("HKE") (incorporated in the Cayman Islands), being an indirect non-wholly owned subsidiary of the Company, Hong Kong Energy (Holdings) Ltd ("HKEHL") (incorporated in the BVI), being an indirect wholly owned subsidiary of the Company and the Company entered into a sale and purchase agreement, HKE has agreed to acquire from HKEHL the sole share of the target company which holds all the wind farms and waste-to-energy plant of the Group (other than those held by HKE and its subsidiaries) and the rights and interests in the related loans owed by the target company and its subsidiaries to the Group (excluding the HKE Group). An ordinary resolution was passed by the Company's shareholders at its special general meeting on 26 July 2010.

The consideration for the said transaction in the sum of HK\$1,018.1 million is to be settled upon completion by way of issue of 1,385,170,068 convertible preferred shares of HK\$0.01 each by HKE to HKEHL or its nominee(s).

Upon completion, the target company will remain as a subsidiary of the Group. A deemed gain on the transaction is expected to be recognised in the consolidated reserves of the Group. There will be no significant financial effect on the Group's results.

The transaction is yet to be completed at the date of the report.

## 25. COMPARATIVE FIGURES

Certain comparative figures as set out in the condensed consolidated interim financial information and the related notes thereto have been reclassified to conform with the current period's presentations as a result of the adoption of new accounting standards.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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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 30 June 2010 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 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, 26 August 2010

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

During the six months ended 30 June 2010, turnover amounted to HK\$297.3 million, an increase of 71.8% over turnover of HK\$173.0 million for the same period in 2009, while gross profit for the period of HK\$91.8 million also represented an increase of 27.7% over gross profit of HK\$71.9 million in the same period last year. Turnover increased primarily because of the sale of some units in Shenzhen and also the sale of an office property in Qingdao. However, the Group recorded a net loss of HK\$105.1 million attributable to equity holders of the Company for the period under review. The net profit in the same period in 2009 was HK\$377.4 million.

The primary reason for the loss is that the Group recorded significant fair value gains on its properties, and reversals of impairments losses on assets in the first half of 2009—gain of HK\$466.4 million that were not recorded in the first half of 2010—a period that was relatively stable in the areas where the Group is developing properties. Basic loss per share for the period amounted to HK1.0 cent per share, while basic earnings per share for the same period in 2009 was HK3.8 cents per share (restated).

As a result, the Company's book value per share has decreased from HK\$1.43 to HK\$1.30. The decrease in the book value per share was mainly due to the dilution effect from the issue of bonus shares in June 2010. The table below illustrates the breakdown of the Company's book value per share.

	Book Value HK\$' Million	Book Value per Share HK\$
Cash	3,073.5	0.30
Completed Investment Properties <sup>(1)</sup>	2,987.9	0.29
Properties Under Development <sup>(2)</sup>	7,417.0	0.72
Alternative Energy	1,078.7	0.10
Others	(1,089.3)	(0.11)
Total equity	13,467.8	1.30

<sup>(1)</sup> Peninsula Beijing Hotel, Shenzhen Jinguang Centre, Shenzhen Shun Hing Square, Guangzhou Citic Plaza, Shenzhen South Ocean Centre, Hong Kong East Ocean Centre, Nanxun Complex and No. 23 Qianmen, Beijing.

<sup>(2)</sup> Shanghai North Bund, Shanghai Sichuan North Road, Tianjin Hongqi Nan Road, Tianjin Tuanbo Lake, Shenyang Ningbo Road, Shenyang Nanjing Road, and Jiangmen.

## Liquidity and Financial Resources

As at 30 June 2010, the Group's total borrowings (excluded loans from non-controlling shareholders) amounted to HK\$4,511.4 million, representing a rise of 19.5% when compared with the equivalent figure of HK\$3,774.2 million as at 31 December 2009. Total borrowings as at 30 June 2010 included Hong Kong Dollar borrowings of HK\$825.0 million (31 December 2009: HK\$418.8 million) and Renminbi borrowings equivalent to HK\$3,686.4 million (31 December 2009: HK\$3,355.4 million).

The maturity dates for most of the Group's outstanding borrowings are spread over the next five years, with HK\$615.5 million repayable within one year or on demand, HK\$1,448.8 million repayable within two to five years, and HK\$2,447.1 million repayable after five years.

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

As at 30 June 2010, the Group had restricted cash of HK\$392.0 million (31 December 2009: HK\$309.0 million) and unrestricted cash and cash equivalents amounting to HK\$2,681.5 million (31 December 2009: HK\$2,210.0 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

During the period under review, the Group and certain of its subsidiaries had charged certain properties, plant and equipment worth HK\$4,121.9 million (31 December 2009: HK\$2,537.0 million), in aggregate, as security for bank loans.

### Gearing Ratio

The Group's gearing ratio as at 30 June 2010 was 10.7%, compared with 9.4% as at 31 December 2009. This ratio represents total borrowings (excluding loans from non-controlling shareholders) less cash and cash equivalents (including restricted cash) divided by total equity.

## BUSINESS REVIEW

China's property market has been adversely affected by the government's decision to cool off speculative activity in the property markets. A number of announcements were made to dampen speculation, including: higher down payment requirements for second home mortgage, banning loans for third homes, restrictions on loans to developers, etc. Such policies have clearly had an impact on transaction volumes for the property market, and slowed down the property price appreciation that was recorded in 2009. As a result, in the first half of 2010, the Group did not record the valuation gains and writebacks that it reported in 2009.

So far, the government austerity policies have not yet had a direct negative impact on the sales prices for HKC's projects given most of the company's projects will not be completed until 2011-14. Pricing in the areas where HKC has development projects have not appreciably changed since the second half of 2009.

### Properties

The Group's existing property investment portfolio, consisting largely of premium commercial and retail 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.

On 26 June 2010, the Group commenced the sale of its Nanxun International Building Materials City, Zhejiang Province. The City is a complex of three-storey buildings and is a trading centre for wooden flooring, furniture and building materials. It provides a platform for exhibition and information exchange as well as trading of construction and building materials. When in full operation, the local and international traders will experience one-stop procurement services.

The gross floor area ("GFA") of Phase 1 of Nanxun International Building Materials City is approximately 180,135 sq.m., in which approximately 83,501 sq.m. are offered for sales at an average selling price of approximately RMB8,970 sq.m.. The remaining GFA of approximately 96,634 sq.m. will be held by the Group for long term investment purpose. Up to 31 July 2010, the Group has received preliminary commitments from buyers to purchase 22,842 sq.m, or 27% of the available area for sale, subject to completion of final sales and purchase contracts.

In addition, the Group sold 41,783 sq.m. of land to a company partially owned by a state-owned enterprise, recording a net profit of RMB 10.0 million. The government will build a centre focused on the trading of timber building and ironmongery/hardware, a product area that will not be competing with the Group's existing products; and will close down an older, existing trading center, making the Group's Nanxun International Building Materials City much more attractive to potential investors and tenants.

Foundation works for Phases 1 and 2 of the Hongqi South Road residential project in Tianjin are nearing completion. The phase 1 above ground structure for the townhouses is under construction. This project is targeting LEED (Leadership in Energy and Environmental Design) certification, and will incorporate a number of environmental friendly features, such as solar panels and heat pump technology. The townhouses in Phase 1 are expected to be offered for pre-sale in the second half of 2010. Phases 2 and 3, consisting of high-rise apartments, are to be pre-sold in 2011-12.

Given the government austerity measures, residential transaction volumes in Tianjin slumped in the second quarter; however, prices remain strong. According to an international professional valuer, among the six inner city districts, Nankai District, where the project is located, saw the highest rate of increase, rising 60.9% year on year.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the North Bund, work is continuing on piling, the basement work for the hotel tower, and diaphragm wall. By the end of August, the subterranean two-floor structure in the hotel section is expected to be completed. The Shanghai office market has been relatively stable in 2010, with occupancy rates, according to an international professional valuer, dropping to 12% from 13% over the first half of 2010. High end retail rents have increased a moderate 2.7% in the second quarter compared to the first quarter.

In Shenyang, HKC has started piling work for the Shenyang Jingang Building, for a commercial development consisting of offices, retail, and service apartments. Grade A office rents have remained relatively flat during the first half of 2010.

### Alternative Energy

On 26 July 2010, the special resolution in relation to the disposal of all of HKC's attributable interests in its wind farms and waste-to-energy plant to Hong Kong Energy (Holdings) Limited ("HKE") was approved by the shareholders of the Company and HKE. The consideration was HK\$1.02 billion which represents a 22% premium to the book value of the assets. HKC will receive convertible preferred shares with an issuing price of HK 73.5 cents, and will therefore continue to share in the upside of the alternative energy projects that it started.

The purpose of the spinoff is to create clarity for investors. HKC is to focus solely on China real estate, while HKE will focus on the alternative energy business, and will be the primary vehicle for any fund raising activities. Investors who are interested in alternative energy can now invest in HKE, an entity that is solely focused on alternative energy, instead of HKC, an entity that focuses primarily on property. Moreover, HKC investors will be able to clearly see the market value of its alternative energy assets through the market valuation of HKE.

For the first half of 2010, HKC made significant progress on its windpower projects. All three phases of Danjinghe completed construction, about a year ahead of schedule. Operation of Danjinghe's Phase 1 has gone extremely well. Phase 1 consists of 54 sets of 750 kilowatt ("KW") turbines. The actual power sold to the grid was 16 million kilowatt-hour ("KWh"), 41% more than forecast. HKC expects Phases 2 and 3 of its Danjinghe windfarm will be in full commercial operation by the third quarter of 2010. Phase 2 has 80 MW of capacity, while phase 3 has 79.5 MW of capacity. Given the strong wind data for Phase 1, the Group expects that Phases 2 and 3 will also perform well.

HKE's Lunaobao wind farm project, located next to the Danjinghe wind farm, has a total 100.5 MW of wind power generating capacity. Construction of the 67 sets of 1,500 KW wind turbines was completed in May 2010. Connection to the grid was made and trial run commenced in June 2010. The application for carbon credit trading status is in its final stage. The wind farm is expected to enter into commercial operation in the fourth quarter of 2010.

The Group's Phase 1 of the wind farm project at Siziwang Qi, Inner Mongolia has interconnected to the power grid and is on track for full commercial operation by August 2010. The carbon credit rebate has been successfully registered under the Clean Development Mechanism ("CDM") with the United Nations. Meanwhile, construction of the 201 MW Gansu windfarm has also been completed, with commercial operation expected by the end of 2010.

### Infrastructure

The Group's water supply plant in the Yangpu Economic Development Zone in Hainan continued to make contributions to the Group, with revenues rising from HK\$15.2 million in first half of 2009 to HK\$21.0 million in first half of 2010. As sole supplier of raw water for industrial use in the area, it remains in an excellent position for achieving regular, reliable and long-term revenues.

The Group's Build-Operate-Transfer ("BOT") toll road project in Guilin, which links up with China's Western Expressway, is in full operation. Revenues continue to gradually rise, while costs have been reduced over 30% over the first half of 2010. Looking forwards, starting in September, the government will implement new enforcement rules requiring certain vehicles to use the expressway. Also, a new interchange connecting a new highway from Hunan will be built in the second half of the year; and a new highway from Guangdong connecting with the Group's expressway will be completed in 2011. These developments should result in significantly increased traffic flow.

## PROSPECTS

### Properties

Given the current progress of construction of Phase 1 of Hongqi South Road project, HKC is targeting pre-sales in the fourth quarter of 2010. The environmental friendly townhouses will create a high end atmosphere for the overall development, and should enable HKC to sell the second and third phases at prices higher than that in the surrounding area. Phases 2 & 3 will be high-rise apartments.

In Shanghai, the Group is continuing its site and basement work for its North Bund project, with target completion expected in 2014. Our team is continuing work on a Grade A+ office project at Sichuan Road in Hongkou Shanghai. A major international architect firm has been engaged to design the building. The plan has been submitted to the relevant government agencies for approval. The Group is also working closely with the government to resolve the resettlement of existing residents. Our current plans are to start construction at the end of 2010, with completion targeted for 2014.

The Group is about to obtain vacant possession for its 94,500 square meter 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. Moreover, tolls have been waived on the bridge that connects the opposite river bank to our site. As a result, the Group believes the site is likely to increase in value, and offers strong potential as a high end development. The site is currently in the design and submission for approval stage.

In Shenyang, the Group is expected to gradually receive vacant possession of the land for its Shenyang Ningbo Road residential project over the next several months. Five towers are expected to be built in the area. For the Group's Tuanbo Lake project in Tianjin, the Group expects to receive possession of the land in the third quarter of 2010.

HKC is also in discussions to sell some of its properties in southern China, with the idea that funds raised could be used to finance more profitable investments in the Group's core areas of interest.

### Alternative Energy

For business development, the Group will continue to explore and assess aggressively, with support from an international professional consultant, potential new "green field" wind farm projects. In order to mitigate and manage potential geographical risks, the Group will diversify wind farm locations from the traditional "Three North" regions of China to include eastern and southern regions such as Shandong, Jiangsu, Yunnan, Guangdong and Hainan. These regions have higher power tariffs, higher local power demand, and a more mature power transmission infrastructure.

These prospects will be explored and investigated together with the Group's current pipeline potential—a pipeline which could result in the development of around 2,000 MW of windpower. The Group expects this pipeline to be developed over the next five years. In addition to developing "green field" wind farms, the Group may also explore acquisition opportunities to accelerate the growth of the Group.

The Group will also actively seek strategic partnerships in order to strengthen HKE's capital base and enhance the Group's competitive advantages, thereby increasing shareholder value.

### Contingent Liabilities

The details of the contingent liabilities of the Group are set out in the Note 21 to the condensed consolidated interim financial information.

### Employee

As at 30 June 2010, the Group employed approximately 700 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

### (i) Share Options of the Company

The Company's existing share option scheme was adopted on 16 June 2006 (the "HKC Option Scheme"). Movement of the share options under the HKC Option Scheme during the six months ended 30 June 2010 were as follows:–

Name	Nature of interest	Number of share options					Outstanding at 30 June 2010	Date of grant	Exercise period	Exercise price per share (HK\$) (Note 1)
		Outstanding at 1 January 2010	Granted	Exercised	Cancelled/ Lapsed	Adjustment made during the period (Note 1)				
<b>Directors</b>										
OEI Kang, Eric	Personal	618,750	–	–	–	61,875	680,625	15 December 2006	15 December 2007 to 14 December 2016	1.174
		1,031,250	–	–	–	103,125	1,134,375	15 December 2006	15 December 2008 to 14 December 2016	1.174
		330,000	–	–	–	33,000	363,000	1 February 2008	1 February 2009 to 31 January 2018	1.368
		495,000	–	–	–	49,500	544,500	1 February 2008	1 February 2010 to 31 January 2018	1.368
		825,000	–	–	–	82,500	907,500	1 February 2008	1 February 2011 to 31 January 2018	1.368
	Family	618,750	–	–	–	61,875	680,625	15 December 2006	15 December 2007 to 14 December 2016	1.174
		1,031,250	–	–	–	103,125	1,134,375	15 December 2006	15 December 2008 to 14 December 2016	1.174
		330,000	–	–	–	33,000	363,000	1 February 2008	1 February 2009 to 31 January 2018	1.368
		495,000	–	–	–	49,500	544,500	1 February 2008	1 February 2010 to 31 January 2018	1.368
		825,000	–	–	–	82,500	907,500	1 February 2008	1 February 2011 to 31 January 2018	1.368
WAN Man Yee	Personal	–	5,000,000 (note 2)	–	–	500,000	5,500,000	20 January 2010	20 January 2011 to 19 January 2013 (note 3)	0.573
		–	7,500,000 (note 2)	–	–	750,000	8,250,000	20 January 2010	20 January 2012 to 19 January 2014 (note 3)	0.573
		–	12,500,000 (note 2)	–	–	1,250,000	13,750,000	20 January 2010	20 January 2013 to 19 January 2015 (note 3)	0.573

## SHARE OPTIONS (continued)

### (i) Share Options of the Company (continued)

Name	Nature of interest	Number of share options						Date of grant	Exercise period	Exercise price per share (HK\$) (Note 1)
		Outstanding at 1 January 2010	Granted	Exercised	Cancelled/ Lapsed	Adjustment made during the period (Note 1)	Outstanding at 30 June 2010			
TANG Sau Wai, Tom (resigned on 1 September 2010)	Personal	3,960,000	-	-	-	396,000	4,356,000	15 December 2006	15 December 2007 to 14 December 2016	1.174
		6,490,000	-	-	-	649,000	7,139,000	15 December 2006	15 December 2008 to 14 December 2016	1.174
		1,650,000	-	-	-	165,000	1,815,000	15 December 2006	15 December 2009 to 14 December 2016	1.174
		880,000	-	-	-	88,000	968,000	1 February 2008	1 February 2009 to 31 January 2018	1.368
		1,320,000	-	-	-	132,000	1,452,000	1 February 2008	1 February 2010 to 31 January 2018	1.368
		2,200,000	-	-	-	220,000	2,420,000	1 February 2008	1 February 2011 to 31 January 2018	1.368
FAN Yan Hok, Philip	Personal	660,000	-	-	-	66,000	726,000	1 February 2008	1 February 2009 to 31 January 2018	1.368
		990,000	-	-	-	99,000	1,089,000	1 February 2008	1 February 2010 to 31 January 2018	1.368
		1,650,000	-	-	-	165,000	1,815,000	1 February 2008	1 February 2011 to 31 January 2018	1.368
CHUNG Cho Yee, Mico	Personal	660,000	-	-	-	66,000	726,000	1 February 2008	1 February 2009 to 31 January 2018	1.368
		990,000	-	-	-	99,000	1,089,000	1 February 2008	1 February 2010 to 31 January 2018	1.368
		1,650,000	-	-	-	165,000	1,815,000	1 February 2008	1 February 2011 to 31 January 2018	1.368
CHENG Yuk Wo	Personal	660,000	-	-	-	66,000	726,000	1 February 2008	1 February 2009 to 31 January 2018	1.368
		990,000	-	-	-	99,000	1,089,000	1 February 2008	1 February 2010 to 31 January 2018	1.368
		1,650,000	-	-	-	165,000	1,815,000	1 February 2008	1 February 2011 to 31 January 2018	1.368
Albert Thomas DA ROSA, Junior	Personal	660,000	-	-	-	66,000	726,000	1 February 2008	1 February 2009 to 31 January 2018	1.368
		990,000	-	-	-	99,000	1,089,000	1 February 2008	1 February 2010 to 31 January 2018	1.368
		1,650,000	-	-	-	165,000	1,815,000	1 February 2008	1 February 2011 to 31 January 2018	1.368
Sub-total		36,300,000	25,000,000	-	-	6,130,000	67,430,000			



## OTHER INFORMATION

### SHARE OPTIONS (continued)

#### (i) Share Options of the Company (continued)

Name	Nature of interest	Number of share options					Outstanding at 30 June 2010	Date of grant	Exercise period	Exercise price per share (HK\$) (Note 1)
		Outstanding at 1 January 2010	Granted	Exercised	Cancelled/ Lapsed	Adjustment made during the period (Note 1)				
Employees and other participants		12,870,000	-	-	(4,180,000)	869,000	9,559,000	15 December 2006	15 December 2007 to 14 December 2016	1.174
		25,575,000	-	-	(8,470,000)	1,710,500	18,815,500	15 December 2006	15 December 2008 to 14 December 2016	1.174
		20,625,000	-	-	(4,950,000)	1,567,500	17,242,500	15 December 2006	15 December 2009 to 14 December 2016	1.174
		5,500,000	-	-	-	550,000	6,050,000	3 July 2007	15 December 2007 to 2 July 2017	1.901
		2,750,000	-	-	-	275,000	3,025,000	3 July 2007	15 December 2008 to 2 July 2017	1.901
		2,750,000	-	-	-	275,000	3,025,000	3 July 2007	15 December 2009 to 2 July 2017	1.901
		25,894,000	-	-	(7,150,000)	1,874,400	20,618,400	1 February 2008	1 February 2009 to 31 January 2018	1.368
		38,841,000	-	-	(10,725,000)	2,811,600	30,927,600	1 February 2008	1 February 2010 to 31 January 2018	1.368
		64,735,000	-	-	(17,875,000)	4,686,000	51,546,000	1 February 2008	1 February 2011 to 31 January 2018	1.368
		-	1,000,000 (note 2)	-	-	100,000	1,100,000	20 January 2010	20 January 2011 to 19 January 2013 (note 3)	0.573
	-	1,500,000 (note 2)	-	-	150,000	1,650,000	20 January 2010	20 January 2012 to 19 January 2014 (note 3)	0.573	
	-	2,500,000 (note 2)	-	-	250,000	2,750,000	20 January 2010	20 January 2013 to 19 January 2015 (note 3)	0.573	
Sub-total		199,540,000	5,000,000	-	(53,350,000)	15,119,000	166,309,000			
Total		235,840,000	30,000,000	-	(53,350,000)	21,249,000	233,739,000			

## SHARE OPTIONS (continued)

### (i) Share Options of the Company (continued)

Notes:

1. In accordance with the HKC Option Scheme, the exercise price of the share options was adjusted from HK\$1.291 per share, HK\$2.091 per share, HK\$1.505 per share and HK\$0.630 per share to HK\$1.174 per share, HK\$1.901 per share, HK\$1.368 per share and HK\$0.573 per share respectively, and the total number of shares to be issued upon exercise of the outstanding share options was also adjusted correspondingly on 1 June 2010, as a result of the bonus issue of shares by the Company in June 2010. Such adjustment took retroactive effect from 30 April 2010, being the day immediately following the record date.
2. The closing price of the shares immediately before the date on which the share options were granted on 20 January 2010 was HK\$0.564 (adjusted).
3. The share options will be vested and exercisable subject to the attainment of the performance target as determined by the board of directors of the Company (the "Board").

Using the Binominal Valuation model, the fair value of 30,000,000 share options granted on 20 January 2010 (adjusted to 33,000,000 share options) was HK\$7.5 million for the period under review. The significant inputs into the model were share price of HK\$0.573 (adjusted) at the grant date, exercise price of HK\$0.573 (adjusted), volatility ranging from 60% to 69%, dividend yield of 2.759%, an expected option life of 3 to 5 years and on normal risk-free interest rate ranging from 1.003% to 1.877%. 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 20 January 2011 to 19 January 2015. 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.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2010 under the HKC Option Scheme.

## OTHER INFORMATION

### SHARE OPTIONS (continued)

#### (ii) Share Options of subsidiary of the Company

Hong Kong Energy (Holdings) Limited (“HKE”), a subsidiary of the Company, adopted a share option scheme on 27 May 2008 (the “HKE Option Scheme”). Movement of the share options under the HKE Option Scheme during the six months ended 30 June 2010 were as follows:–

Name	Nature of interest	Number of share options						Date of grant	Exercise period (Note 3)	Exercise price per share (HK\$) (Note 1)
		Outstanding at 1 January 2010	Granted (Note 2)	Exercised	Cancelled/ Lapsed	Adjustment made during the period (Note 1)	Outstanding at 30 June 2010			
<b>Directors</b>										
YUNG Pak Keung, Personal Bruce		-	1,000,000	-	-	100,000	1,100,000	20 January 2010	20 January 2011 to 19 January 2013	0.764
		-	1,500,000	-	-	150,000	1,650,000	20 January 2010	20 January 2012 to 19 January 2014	0.764
		-	2,500,000	-	-	250,000	2,750,000	20 January 2010	20 January 2013 to 19 January 2015	0.764
LEUNG Wing Sum, Personal Samuel		-	500,000	-	-	50,000	550,000	20 January 2010	20 January 2011 to 19 January 2013	0.764
		-	750,000	-	-	75,000	825,000	20 January 2010	20 January 2012 to 19 January 2014	0.764
		-	1,250,000	-	-	125,000	1,375,000	20 January 2010	20 January 2013 to 19 January 2015	0.764
Total		-	7,500,000	-	-	750,000	8,250,000			

## SHARE OPTIONS (continued)

### (ii) Share Options of subsidiary of the Company (continued)

Notes:

1. In accordance with the HKE Option Scheme, the exercise price of the share option was adjusted from HK\$0.840 per share to HK\$0.764 per share, and the total number of shares to be issued upon exercise of the outstanding share options was also adjusted correspondingly on 1 June 2010 as a result of the bonus issue of shares by HKE in June 2010. Such adjustments took retroactive effect from 30 April 2010, being the day immediately following the record date.
2. The closing price of the shares of HKE immediately before the date on which the share options were granted on 20 January 2010 was HK\$0.727 (adjusted).
3. The share options will be vested and exercisable subject to the attainment of the performance target as determined by the board of directors of HKE.

Using the Binominal Valuation model, the fair value of 7,500,000 share options granted on 20 January 2010 (adjusted to 8,250,000 share options) was HK\$2.9 million for the period under review. The significant inputs into the model were share price of HK\$0.764 (adjusted) at the grant date, exercise price of HK\$0.764 (adjusted), volatility ranging from 60% to 72%, dividend yield of 0%, an expected option life of 3 to 5 years and on normal risk-free interest rate ranging from 1.003% to 1.877%. 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 20 January 2011 to 19 January 2015. 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.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the six months ended 30 June 2010 under the HKE Option Scheme.

## OTHER INFORMATION

### DIRECTORS' INTERESTS

As at 30 June 2010, 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 and underlying shares of the Company	Approximate percentage of the existing issued share capital of the Company
OEI Kang, Eric	Personal	20,897,310 <sup>1</sup>	0.202%
	Corporate	4,458,938,271 <sup>2</sup>	43.009%
	Joint	126,242,591 <sup>3</sup>	1.218%
	Family	3,630,000 <sup>4</sup>	0.035%
WAN Man Yee	Personal	27,500,000 <sup>5</sup>	0.265%
TANG Sau Wai, Tom (resigned on 1 September 2010)	Personal	18,315,217 <sup>6</sup>	0.177%
	Family	232,218 <sup>7</sup>	0.002%
FAN Yan Hok, Philip	Personal	3,630,000 <sup>8</sup>	0.035%
CHUNG Cho Yee, Mico	Personal	3,630,000 <sup>9</sup>	0.035%
CHENG Yuk Wo	Personal	3,630,000 <sup>10</sup>	0.035%
Albert Thomas DA ROSA, Junior	Personal	3,630,000 <sup>11</sup>	0.035%

Notes:

- The personal interest of Mr. OEI Kang, Eric represents an interest in 17,267,310 underlying shares in respect of warrants issued by the Company and an interest in 3,630,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
- The corporate interest of Mr. OEI Kang, Eric represents an interest in 3,727,073,029 shares of the Company, an interest in 453,699,914 underlying shares in respect of warrants issued by the Company held by Creator Holdings Limited ("Creator") and an interest in 254,984,884 shares of the Company and an interest in 23,180,444 underlying shares in respect of warrants issued by the Company held by Genesis Capital Group Limited ("Genesis"). Both Creator and Genesis are owned as to 50% by Mr. OEI Kang, Eric and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau.
- The joint interest of Mr. OEI Kang, Eric represents an interest in 91,195,648 shares of the Company and an interest in 35,046,943 underlying shares in respect of warrants issued by the Company jointly held with his wife, Mrs. OEI Valonia Lau.
- The family interest of Mr. OEI Kang, Eric represents an interest in 3,630,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.

## DIRECTORS' INTERESTS (continued)

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

Notes: (continued)

5. The personal interest of Mr. WAN Man Yee represents an interest in 27,500,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
6. The personal interest of Mr. TANG Sau Wai, Tom represents an interest in 140,784 shares of the Company, an interest in 24,433 underlying shares in respect of warrants issued by the Company and 18,150,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
7. The family interest of Mr. TANG Sau Wai, Tom represents an interest in 197,877 shares of the Company and an interest in 34,341 underlying shares in respect of warrants issued by the Company held by his wife.
8. The personal interest of Mr. FAN Yan Hok, Philip represents an interest in 3,630,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
9. The personal interest of Mr. CHUNG Cho Yee, Mico represents an interest in 3,630,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
10. The personal interest of Mr. CHENG Yuk Wo represents an interest in 3,630,000 underlying shares in respect of options granted by the Company as detailed in "Share Options" section above.
11. The personal interest of Mr. Albert Thomas DA ROSA, Junior represents an interest in 3,630,000 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:

Name of associated corporation	Name	Nature of interest	Number of shares and underlying shares of the associated corporation	Approximate percentage of existing issued share capital of the associated corporation
HKE	OEI Kang, Eric	Corporate	2,055,480,316 <sup>1</sup>	240.223%
		Personal	1,190,848 <sup>2</sup>	0.139%
		Joint	18,001,083 <sup>3</sup>	2.104%
	TANG Sau Wai, Tom (resigned on 1 September 2010)	Personal	3,234 <sup>4</sup>	0.001%
		Family	4,547 <sup>5</sup>	0.001%

## OTHER INFORMATION

### DIRECTORS' INTERESTS (continued)

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

Note:

1. The corporate interest of Mr. OEI Kang, Eric represents (i) an interest in 43,902,066 shares of HKE and an interest in 40,566,816 underlying shares in respect of warrants issued by HKE held by Creator; (ii) an interest in 3,003,526 shares of HKE and an interest in 2,726,074 underlying shares in respect of warrants issued by HKE held by Genesis; (iii) an interest in 507,179,732 shares of HKE held by HKC; (iv) an interest in a zero coupon convertible note issued by HKE to HKC with a principal amount of RMB73.5 million carrying rights to convert into 72,932,034 shares of HKE at a conversion price of HK\$1.0113 per share of HKE (subject to adjustment); and (v) an interest in the 1,385,170,068 convertible preferred shares of HKE carrying rights to convert into shares of HKE at the initial conversion rate of 1 convertible preferred share to 1 share of HKE (subject to adjustment). Since HKC is held as to approximately 35.95% by Creator, which is owned as to 50% by Mr. OEI Kang, Eric and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau, Mr. OEI Kang, Eric is deemed to be interested in the same parcel of shares in which HKC is taken to be interested in HKE.
2. The personal interest of Mr. OEI Kang, Eric represents an interest in 1,190,848 underlying shares in respect of warrants issued by HKE.
3. The joint interest of Mr. OEI Kang, Eric represents an interest in 3,949,613 shares of HKE and 14,051,470 underlying shares in respect of warrants issued by HKE jointly held with his wife, Mrs. OEI Valonia Lau.
4. The personal interest of Mr. TANG Sau Wai, Tom represents an interest in 1,657 shares of HKE and an interest in 1,577 underlying shares in respect of warrants issued by HKE.
5. The family interest of Mr. TANG Sau Wai, Tom represents an interest in 2,330 shares of HKE and an interest in 2,217 underlying shares in respect of warrants issued by HKE held by his wife.

Save as disclosed above, as at 30 June 2010, 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2010, 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 and underlying shares of the Company	Approximate percentage of existing issued share capital of the Company
OEI Valonia Lau	Personal	3,630,000 <sup>1</sup>	0.035%
	Corporate	4,458,938,271 <sup>2</sup>	43.009%
	Joint	126,242,591 <sup>3</sup>	1.218%
	Family	20,897,310 <sup>4</sup>	0.202%
Creator Holdings Limited	Beneficial owner	4,180,772,943 <sup>5</sup>	40.326%
Stephen A. FEINBERG	Corporate	1,883,414,280 <sup>6</sup>	18.167%
Cerberus Institutional Associates, L.L.C.	Corporate	1,883,414,280 <sup>6</sup>	18.167%
Promontoria Europe Investments XII LDC	Corporate	1,883,414,280 <sup>6</sup>	18.167%
Promontoria Holding Cooperatie U.A.	Corporate	1,883,414,280 <sup>6</sup>	18.167%
Promontoria Holding XXI B.V.	Beneficial owner	1,883,414,280 <sup>6</sup>	18.167%
Penta Investment Advisers Limited	Investment Manager	1,707,087,230 <sup>7</sup>	16.466%
Penta Master Fund, Limited	Beneficial owner	617,623,529	5.957%

Notes:

- The personal interest of Mrs. OEI Valonia Lau represents an interest in 3,630,000 underlying shares in respect of options granted by the Company to her.
- The corporate interest of Mrs. OEI Valonia Lau represents an interest in 3,727,073,029 shares of the Company, an interest in 453,699,914 underlying shares in respect of warrants issued by the Company held by Creator and an interest in 254,984,884 shares of the Company and an interest in 23,180,444 underlying shares in respect of warrants issued by the Company held by Genesis. Both Creator and Genesis are owned as to 50% by Mr. OEI Valonia Lau and as to the remaining 50% by her husband, Mr. OEI Kang, Eric.
- The joint interest of Mrs. OEI Valonia Lau represents an interest in 91,195,648 shares of the Company and an interest in 35,046,943 underlying shares in respect of warrants issued by the Company jointly held with her husband, Mr. OEI Kang, Eric.
- The family interest of Mrs. OEI Valonia Lau represents an interest in 17,267,310 underlying shares in respect of warrants issued by the Company and an interest in 3,630,000 underlying shares in respect of options granted by the Company to her husband, Mr. OEI Kang, Eric.
- The beneficial interest of Creator includes an interest in 3,727,073,029 shares and an interest in 453,699,914 underlying shares in respect of warrants issued by the Company. Mr. OEI Kang, Eric and Mrs. OEI Valonia Lau are directors of Creator.



## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

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

- The shares are held by Cerberus Institutional Associates, L.L.C. through a series of controlled entities, namely Promontoria Holding XXI B.V., the registered holder of the shares, which is owned as to 90.67% by Promontoria Holding Cooperatie U.A., which in turn is owned as to 99% by Promontoria Holding Coop LDC, a wholly-owned subsidiary of Promontoria Europe Investments XII LDC, which is owned as to 34.43% by Cerberus Series Four Holdings, LLC, which is wholly-owned by Cerberus Institutional Associates, L.L.C. through Cerberus Institutional Partners, L.P.–Series Four. Cerberus Institutional Associates, L.L.C. is wholly-owned by Mr. Stephen A. Feinberg. They are each deemed to be interested in the shares amounting to a long position of 1,883,414,280 shares of which 156,951,190 shares are derivative interests.
- Old Peak Ltd. and Penta Asia Domestic Partners, L.P., both being a wholly-owned subsidiary of Penta Management (BVI) Ltd., are the registered holders of the shares. Penta Management (BVI) Ltd. is wholly-owned by Penta Investment Advisers Limited, both of which are then deemed to be interested in the shares amounting to a long position of 1,707,087,230 shares of which 254,924,103 shares are derivative interests.

### INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

### FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Group had provided financial assistance to, and guarantee for, affiliated companies in the aggregate amount of HK\$1,738.8 million, which represented approximately 8.41% of the Group's total assets value as at 30 June 2010. In accordance with the requirement under Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of those affiliated companies and the Group's attributable interests in those affiliated companies based on their latest financial statements available are presented below:

	Combined balance sheet (HK\$ Million)	Group's attributable interests (HK\$ Million)
Non-current assets	14,814.1	4,560.1
Current assets	2,439.8	994.4
Current liabilities	(4,914.3)	(1,820.8)
Non-current liabilities	(2,813.8)	(1,015.9)
	9,525.8	2,717.8

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive directors 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 30 June 2010, 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 THE COMPANY LISTED SECURITIES

During the six months ended 30 June 2010, the Company repurchased its ordinary shares on the Stock Exchange as follows:-

Date of repurchase	Total number of ordinary shares repurchased	Price paid per ordinary share		Aggregate Consideration paid HK\$
		Highest HK\$	Lowest HK\$	
12 January 2010	2,000,000	0.630	0.630	1,260,000.00

The repurchased shares were cancelled on 20 January 2010 and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "Code Provisions") and certain recommended best practices as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010, 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 the rotation requirement in 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 30 June 2010.

## OTHER INFORMATION

### UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the directors of the Company since the date of the 2009 Annual Report are set out below:

#### **Mr. FAN Yan Hok, Philip (Independent Non-executive Director)**

Mr. FAN was appointed as an independent non-executive director of Zhuhai Zhongfu Enterprise Co. Ltd. (a company listed on the Shenzhen Stock Exchange) on 31 May 2010.

#### **Mr. CHUNG Cho Yee, Mico (Independent Non-executive Director)**

Mr. CHUNG had been re-designated from an executive director to a non-executive director of PCCW Limited on 19 May 2010 and from the non-executive chairman to the executive chairman of CSI Properties Limited on 6 July 2010, both of which are companies listed on the Stock Exchange.

#### **Mr. CHENG Yuk Wo (Independent Non-executive Director)**

Mr. CHENG had been re-designated from an independent non-executive director to an executive director of 21 Holdings Limited on 1 May 2010 and was appointed as an independent non-executive director of Imagi International Holdings Limited on 1 July 2010, both of which are companies listed on the Stock Exchange.

#### **Mr. Albert Thomas DA ROSA, Junior (Independent Non-executive Director)**

Mr. DA ROSA was appointed by the Chief Executive of the HKSAR to serve as a Deputy Chairman of the Inland Revenue Board of Review with effect from 1 July 2010, and was appointed as a non-executive director of eSun Holdings Limited (a company listed on the Stock Exchange) on 19 July 2010.

By order of the Board

**HKC (HOLDINGS) LIMITED**

**OEI Kang, Eric**

Executive Director

Hong Kong, 26 August 2010

HKC (HOLDINGS) LIMITED  
香港建設(控股)有限公司

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