

## FINANCIAL HIGHLIGHTS

	Six months ended 30th June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<b>1,544,748</b>	1,734,760
Operating profit	<b>208,711</b>	362,641
Share of profits less (losses) of		
Jointly controlled entities	<b>(18,793)</b>	(9,748)
Associated companies	<b>61,487</b>	52,791
Profit attributable to shareholders	<b>20,356</b>	46,420
Basic earnings per share	<b>0.51 cent</b>	1.18 cents
Fully diluted earnings per share	<b>0.50 cent</b>	1.15 cents
Interest coverage	<b>4.7 times</b>	4.3 times

	30th June	31st December
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<b>19,427,289</b>	19,961,555
Total liabilities (including minority interests)	<b>12,879,973</b>	13,431,017
Shareholders' funds	<b>6,547,316</b>	6,530,538
Net assets per share	<b>HK\$1.63</b>	HK\$1.63
Gearing ratio	<b>36%</b>	38%

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### *Guangzhou Property Market Continued to Expand*

The primary residential market in Guangzhou Municipality continued to grow steadily in the first half of 2002. Total sales volume within the eight districts of the Guangzhou City urban area was 2.37 million sq. meters and average selling price was approximately Rmb4,968 per sq. meter. Both remained at similar levels of the same period of last year. As a result of sub-urbanization and improving transport, transaction in the sub-urban area within the Guangzhou Municipality has become increasingly active. Inclusive of the above eight districts, total sales volume of the ten districts of Guangzhou Municipality increased by 8.6 per cent to 3.71 million sq. meters while average selling price decreased by 2.5 per cent to Rmb4,160 per sq. meter, which had exerted certain price pressure on urban properties. Apart from an active primary market, transactions in the secondary market continued to grow. Sales volume was up significantly by 49.0 per cent to 1.40 million sq. meters. Price moved downward by 11.1 per cent compared with the same period in 2001 to an average of Rmb3,427 per sq. meter. Price differentials between the primary and secondary markets reflect the different qualities of properties.

#### *Market Positioning and Sales*

In the first half of 2002, the Group sold approximately 42,000 sq. meters of primarily residential properties which increased by 13.0 per cent compared with the same period of last year. Turnover had decreased because more residential instead of commercial units were sold. During the period, the Group continued to strengthen its efforts in marketing the major project for sale, Galaxy City. Provision of new auxiliary facilities such as school shuttle bus and supermarket have added value to the property.

The Group's future market positioning is to concentrate on the development of middle and mass market residential properties in Haizhu District and Tian He District of Guangzhou City with average selling price ranging between Rmb4,000 and Rmb7,000 per sq. meter. In the second half of 2002, major projects to be offered for sale will include Galaxy City in Zhujiang New Estate, Run Hui Building at Jiangnan Xi Road and Phase II of Greenland Garden in Haizhu District with total expected sales area of 32,000 sq. meters.

The Group expects the property market in Guangzhou Municipality will remain competitive but also have huge growth potential due to a low level of private home ownership and rising affluence. The Group's immediate priority is to complete the acquisition of a majority interest in Guangzhou City Construction and Development Holdings Limited ("Guangzhou Construction") announced late last year. This transaction will increase the Group's land resources substantially, details of which is summarised under "Very Substantial Acquisition of Property Assets" below.

***Newsprint Business Performed Satisfactorily***

With newsprint price in the international market hitting an eight year low and expansion of production capacity in China, Guangzhou Paper Limited (“Guangzhou Paper”) faced a challenging environment. In the first half of 2002, Guangzhou Paper sold 122,931.9 tonnes of newsprint which decreased by 8.6 per cent compared with same period of last year. Average newsprint price was also down by 13.7 per cent to Rmb4,330.0 per tonne. The decline in turnover offset savings from approximately 6.9 per cent reduction of cost of sales.

However, during the period Guangzhou Paper continued to maintain the biggest market share in the domestically produced newsprint market and ranked the top in China in terms of sales volume. Looking forward to the second half of 2002, the Group expects the market remain competitive and has formulated various measures targeting further cost reduction and sales expansion.

***Cement and Ready-Mixed Concrete Businesses***

In the first half of 2002, aggregate sales volume of cement and ready-mixed concrete (“RMC”) of China Century Cement Limited (“CCC”), a joint venture with German cement group Heidelberger Zement, increased by 16.7 per cent and 16.9 per cent to approximately 1.27 million tonnes and 554,191 cubic meters respectively. Such improvement in performance was due to CCC’s penetration into new markets such as Shenzhen City and expansion of construction activities in the Guangdong Province. Construction works of various infrastructure projects such as the new Guangzhou International Airport, Phase Two of the Metro System in Guangzhou Municipality and the Western Guangzhou Expressway etc. have begun and increased volume demand for both cement and RMC. Price of cement in Guangzhou Municipality remained stable during the period at about Rmb265.9 per tonne. In spite of a slowing cement market in Hong Kong, overall performance of CCC improved substantially in the first half of 2002 due to expansion of sales volume in Guangdong Province, strengthened treasury management to reduce finance cost and government tax refund from the introduction of an environmental friendly new cement product, PO32.5R. The Group expects the cement market in Guangdong Province to remain robust in the second half of this year.

***Toll Road Performance Affected by Once-Off Factors***

2002 has been a year of transformation for GZI Transport Limited (“GZI Transport”), the toll road subsidiary of the Company. Owing to the once-off effects of applying higher amortization rates and disposal of certain projects, GZI Transport recorded 41.3 per cent decline in profit attributable to shareholders of HK\$77,728,000 in the first half of 2002. However, the Group believes that these negative impact are temporary and will be eased shortly. New investment project such as the Shantou Bay Bridge is being sourced to replenish the toll road portfolio after disposing the less profitable investments in 2001. Together with the rising car ownership in China as a result of growing affluence, toll traffic volume is expected to increase in the foreseeable future. Thus, the Group believes that performance turnaround will be imminent.

## VERY SUBSTANTIAL ACQUISITION OF PROPERTY ASSETS

In December 2001, the Group announced the acquisition of a majority interest in Guangzhou Construction and interests in some other property assets in China for approximately HK\$5.0 billion from its controlling shareholder, Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”).

The consideration of approximately HK\$5.0 billion represents a 40 per cent discount to the total attributable net asset value of approximately HK\$8.36 billion of the two property groups. The Company will pay HK\$2.0 billion in cash, issue to Yue Xiu approximately 2.15 billion new shares at HK\$0.68 each, and dispose to Yue Xiu its cement, RMC and high technology projects for HK\$1.55 billion.

This transaction, which is expected to complete around the end of this year, will increase the Group’s land resources significantly with total attributable project gross floor area and attributable land bank site area increased by 3.5 times and 20.3 times to 1.67 million sq. meters and 4.19 million sq. meters respectively. The Group will rank amongst the biggest developers in Guangzhou Municipality.

## FUTURE STRATEGY AND PROSPECTS

2002 is a year of adjustment of the Group’s asset portfolio.

The Group is in the final stage of going through various legal procedures to acquire a majority interest in Guangzhou Construction. Together with the proposed disposal of non-core businesses such as cement, RMC and high technology projects, the Group will be able to concentrate on property investment and development business in Guangzhou Municipality.

Looking ahead, the Group’s goal is to develop as a leading property developer in Southern China, in which Guangzhou Municipality is amongst the fastest growing and most affluent cities in China. Toll road business will continue to provide recurrent income to support the property business while the Group’s interest in paper business will be reduced gradually through a proposed A-share listing of Guangzhou Paper. The Group is also in the process of undertaking a review on the development potential of its remaining property projects in Hong Kong and Macau to further streamline its business portfolio.

Although the current international environment is uncertain, the Group believes that the economy of China, especially Southern China, will continue to outperform. The Group is optimistic on its medium term development as it is shifting its business focus to Guangzhou property and the full effect of the above-mentioned acquisition will become evident in 2003.

## FINANCIAL REVIEW

### *Analysis of Results*

In the first half of 2002, the Group's turnover amounted to HK\$1,544,748,000, representing a 11.0 per cent decline compared with the same period of 2001.

Turnover of the property business experienced an overall 7.9 per cent decrease to HK\$304,298,000 as the Group sold more residential instead of commercial units in the first half of 2002. The downturn of the Hong Kong rental market had also caused rental income from investment properties primarily located in Hong Kong to decline by approximately 11.3 per cent to HK\$65,146,000. In addition, increasing domestic competitions affected the newsprint operation of the Group and turnover decreased by 18.4 per cent to HK\$539,585,000. Turnover of the Group's toll road business declined by 18.8 per cent to HK\$173,883,000 due to disposal of Xinfeng Highways and lower traffic volume of selective projects. However, the cement business had outperformed due to expansion of construction activities in Guangdong Province. In spite of a slowing Hong Kong market, turnover of cement business amounted to HK\$525,058,000 and remained at a similar level of the same period of last year.

Total gross profits amounted to HK\$494,318,000 and decreased by 23.0 per cent due to similar reasons as mentioned above. However, gross profits of the outperforming cement and ready-mixed concrete businesses amounted to HK\$165,232,000 and remained at a similar level of the same period of last year.

Total expenses including selling, distribution, administrative and other operating expenses decreased slightly by approximately 6.0 per cent to a total of HK\$305,696,000 mainly due to implementation of cost control.

Finance costs decreased enormously by 30.3 per cent to HK\$85,973,000 as a result of declining interest rate and net repayment of a total of HK\$317,834,000 bank loans.

The increase in the share of loss in jointly controlled entities by 92.8 per cent to HK\$18,793,000 was mainly attributable to loss incurred by the jointly controlled entity of GZI Transport, Guangzhou Northern Second Ring Expressway ("GNSR Expressway"). GNSR Expressway started operation only in the beginning of 2002 and has not reached its most optimal traffic volume level yet.

Taxation decreased by 34.8 per cent to HK\$32,162,000 due to lower pre-tax profits.

For the six months ended 30th June 2002, the Group achieved profit attributable to shareholders amounted to HK\$20,356,000, which compared with HK\$46,420,000 in the same period in 2001.

### *Basic Earnings Per Share*

	Six months ended 30th June	
	2002	2001
Profit attributable to shareholders (HK\$)	<b>20,356,000</b>	46,420,000
Weighted average number of shares in issue	<b>4,009,989,359</b>	3,947,507,328
Basic earnings per share (cent(s))	<b>0.51</b>	1.18

***Interim Dividend***

The Board of Directors has resolved not to declare any interim dividend for 2002 (2001: nil).

***Analysis of Cash Flows***

During the first half year of 2002, the Group has generated net cash inflow of HK\$224 million from operating activities. Net cash outflow for investing activities in the same period was HK\$16 million which was mainly due to cash outflow for capital expenditures as explained below and cash inflow from releasing certain pledged bank deposits as a result of the repayment of certain bank loans. Net cash outflow from financing activities in the same period was HK\$467 million, which was mainly due to net repayment of bank loans of HK\$318 million.

As at 30th June 2002, the Group's cash and cash equivalents amounted to HK\$1,129 million and decreased by HK\$259 million compared with 31st December 2001.

***Capital Expenditures***

During the first half of 2002, GZI Transport had incurred capital expenditures and investments amounting to approximately HK\$150.5 million which primarily included (a) balance consideration for the acquisition of the remaining 34 per cent interests in the Group's non wholly owned subsidiary holding Qinglian Highways amounted to HK\$135.6 million; and (b) additional capital injection to an existing other investment amounted to HK\$14.3 million.

The Group had also acquired new fixed assets such as production facilities under construction, plant and machinery and tools amounting to HK\$30 million in the first half year of 2002.

***Capital and Other Commitments***

As at 30th June 2002, the Group had capital commitments of HK\$879 million, of which HK\$145 million is for the addition of fixed assets for technological improvement of its industrial businesses. The balance of HK\$734 million is for the construction of properties under development in China and Hong Kong over the next few years.

In December 2001, the Group announced the acquisition of an approximately 95 per cent interest in Guangzhou Construction and a 49 per cent interest in Super Gain Development Limited for a total consideration of approximately HK\$5 billion, of which HK\$2 billion cash consideration will be satisfied by internal resources and bank borrowing. The Group has recently secured a 5 year term loan facility of HK\$2.63 billion from a syndicate of banks in Hong Kong. The funding will be partially for financing the acquisition and partially for replacing maturing loans. This acquisition is expected to be completed around the end of 2002.

***Liquidity and Capital Resources***

The Group maintains a comfortable liquidity position. As at 30th June 2002, the Group had bank deposits, cash and bank balances of approximately HK\$1,175 million in total, of which approximately 59 per cent was in Rmb, 23 per cent in US dollars, 14 per cent in HK dollars and the rest was in other foreign currencies.

As at 30th June 2002, the Group had bank borrowings excluding bank overdrafts (“Bank Borrowings”) and convertible bonds outstanding of approximately HK\$3.178 billion and HK\$0.450 billion respectively (collectively “Total Borrowings”), of which HK\$709 million Bank Borrowings was attributable to GZI Transport. The net decrease in Total Borrowings was HK\$318 million compared with the last year end balance sheet date. As at 30th June 2002, 43 per cent of the Bank Borrowings was denominated in Rmb, 19 per cent in US dollars and 38 per cent in HK dollars. The convertible bonds were denominated in HK dollars.

The management believes that the steady inflow of Rmb, HK dollars and US dollars funds generated and/or repatriated from the Group’s subsidiaries, associated companies and jointly controlled entities in Hong Kong and China, whose equity were funded by foreign currency, are sufficient to meet the Group’s short to medium term Rmb, US dollars and HK dollars borrowings, finance costs and dividend payments.

The following table summarises the repayment schedule of the Total Borrowings:

	Repayable within				Total HK\$'000
	one year HK\$'000	one to two years HK\$'000	two to five years HK\$'000	over five years HK\$'000	
Bank Borrowings	1,973,969	611,469	592,589	673	3,178,700
Convertible bonds	249,450	200,623	—	—	450,073
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Total Borrowings	2,223,419	812,092	592,589	673	3,628,773

As corporate loans raised in the Hong Kong and China markets are customary short to medium term, approximately 62 per cent of the Bank Borrowings will be repayable within one year. The management is confident that Bank Borrowings can be refinanced upon maturity. Approximately 55 per cent and 45 per cent of the convertible bonds are redeemable in one year and one to two years respectively. All convertible bonds were issued by the Company. On maturity, those bonds which have not been converted into ordinary shares of the Company at the respective price of HK\$0.7600 and HK\$0.6168 per share are to be redeemed at 105 per cent of their principal amount with accrued interest.

Approximately 39 per cent of the Bank Borrowings was secured by (i) the Group’s fixed deposits of HK\$15 million, and (ii) a small portion of the Group’s property portfolio. The rest of the Bank Borrowings are unsecured.

#### **Treasury Policies**

The Group’s overall treasury and funding policy is that of risk management and liquidity control. Bank balances are generally placed as short term fixed rate deposits in bank accounts in Hong Kong and China. No fund is placed in non-bank institutions nor invested in securities. The Group will maintain a balanced relationship with banks both in Hong Kong and China to take advantage of the different liquidity of these two markets.

Since the Group's principal operations are in China and most of the income is denominated in Rmb, the management is aware of possible currency exchange rate exposure. As a hedging strategy, the management emphasizes on mainly using re-invested profits and Rmb borrowings to finance the Group's Rmb investments. Equity and debt financing in foreign currencies will only be used selectively as supplementary funds.

### *Capital Structure*

The following table summarises the components of the Group's capital structure:

	30th June 2002		31st December 2001	
	HK\$'000	%	HK\$'000	%
Fixed rate loans				
Convertible bonds	450,073	4	450,073	4
Floating rate loans				
Denominated in Rmb	1,380,584	14	1,505,863	15
Denominated in US dollars	613,438	6	1,155,818	11
Denominated in HK dollars	1,184,678	12	834,853	8
<hr/>				
Total Borrowings	3,628,773	36	3,946,607	38
Shareholders' funds	6,547,316	64	6,530,538	62
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<b>Total Capitalisation</b>	<b>10,176,089</b>	<b>100</b>	<b>10,477,145</b>	<b>100</b>
Gearing Ratio		<b>36%</b>		<b>38%</b>

The Group continues to maintain a healthy capital structure with Gearing Ratio (expressed as a percentage of Total Borrowings to Total Capitalisation) of 36 per cent as at 30th June 2002, which decreased moderately from 38 per cent as at 31st December 2001 due to reduction of Total Borrowings.

### *Interest Coverage*

Interest cover for the first half year of 2002 was 4.7 times which was slightly higher than that of 4.3 times for same period in 2001. The calculation was based on interest costs divided by profit before tax and interests, both adjusted for non-cash items.

### *Employees*

As at 30th June 2002, the Group had approximately 12,600 employees of whom approximately 12,000 employees were primarily engaging in the supervision and management of toll roads and the operations of the six cement and paper plants. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted share option schemes which award its employees according to the performance of the Group and individual employees.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
		<b>2002</b>	2001
		<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>1,544,748</b>	1,734,760
Cost of sales		<b>(1,050,430)</b>	(1,092,819)
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Gross profit		<b>494,318</b>	641,941
Other revenues		<b>20,089</b>	45,767
Selling and distribution expenses		<b>(45,262)</b>	(38,134)
Administrative expenses		<b>(266,330)</b>	(265,214)
Other net operating income/(expenses)		<b>5,896</b>	(21,719)
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Operating profit	3	<b>208,711</b>	362,641
Finance costs		<b>(85,973)</b>	(123,346)
Share of profits/(losses) of			
Jointly controlled entities		<b>(18,793)</b>	(9,748)
Associated companies		<b>61,487</b>	52,791
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Profit before taxation		<b>165,432</b>	282,338
Taxation	4	<b>(32,162)</b>	(49,295)
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Profit after taxation		<b>133,270</b>	233,043
Minority interests		<b>(112,914)</b>	(186,623)
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Profit attributable to shareholders		<b>20,356</b>	46,420
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Earnings per share	6		
Basic		<b>0.51 cent</b>	1.18 cents
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Fully diluted		<b>0.50 cent</b>	1.15 cents
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**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30TH JUNE 2002 AND 31ST DECEMBER 2001

	<i>Note</i>	<b>Unaudited 30th June 2002 HK\$'000</b>	Audited 31st December 2001 HK\$'000
Interests in toll highways and bridges	7	<b>2,234,807</b>	2,272,680
Other intangible assets	7	<b>(13,508)</b>	(10,777)
Fixed assets	7	<b>4,060,133</b>	4,143,278
Interests in jointly controlled entities		<b>1,319,406</b>	1,307,158
Interests in associated companies		<b>1,748,339</b>	1,728,407
Investment securities and other investments		<b>269,349</b>	272,392
<b>Current assets</b>			
Properties held for/under development		<b>5,834,320</b>	5,740,219
Properties held for sale		<b>1,252,776</b>	1,310,486
Interests in property development projects		<b>81,433</b>	93,728
Inventories		<b>317,681</b>	316,807
Due from			
- Related companies		<b>20,536</b>	29,138
- Minority shareholders		<b>7,797</b>	6,339
Accounts receivable, prepayment and deposits	8	<b>1,119,262</b>	1,129,615
Bank deposits		<b>15,076</b>	211,570
Bank balances and cash		<b>1,159,882</b>	1,410,515
		<b>9,808,763</b>	10,248,417
<b>Current liabilities</b>			
Accounts payable and accrued charges	9	<b>943,337</b>	819,352
Due to minority shareholders		<b>67,416</b>	104,203
Bank loans			
- Secured		<b>325,237</b>	249,533
- Unsecured		<b>899,364</b>	555,844
Bank overdrafts unsecured		<b>30,534</b>	22,053
Current portion of long-term liabilities	10	<b>1,080,431</b>	801,424
Taxation payable		<b>60,237</b>	78,615
Dividend payable to minority shareholders		<b>25,717</b>	—
		<b>3,432,273</b>	2,631,024

	<i>Note</i>	<b>Unaudited 30th June 2002 HK\$'000</b>	Audited 31st December 2001 HK\$'000
Net current assets		<b>6,376,490</b>	7,617,393
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<b>Total assets less current liabilities</b>		<b>15,995,016</b>	17,330,531
Financed by:			
Share capital	11	<b>401,041</b>	400,829
Reserves		<b>6,146,275</b>	6,129,709
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Shareholders' funds		<b>6,547,316</b>	6,530,538
Minority interests		<b>6,237,894</b>	6,425,518
Non-current liabilities			
Long-term liabilities	10	<b>3,195,841</b>	4,361,175
Deferred taxation		<b>13,965</b>	13,300
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		<b>15,995,016</b>	17,330,531

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	2002	As restated 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	223,541	354,477
Net cash outflow from investing activities	(16,045)	(361,074)
Net cash (outflow)/inflow from financing activities	(466,610)	448,833
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(Decrease)/increase in cash and cash equivalents	(259,114)	442,236
Cash and cash equivalents at 1st January	1,388,462	1,095,063
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Cash and cash equivalents at 30th June	<b>1,129,348</b>	1,537,299
 Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	1,159,882	1,554,952
Bank overdrafts	(30,534)	(17,653)
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	<b>1,129,348</b>	1,537,299

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Unaudited							
	Share capital	Share redemption premium	Capital reserve	Capital reserve	Statutory reserves	Exchange fluctuation reserve	Retained profits	Total
At 1st January 2002	400,829	4,889,860	1,815	175,985	84,405	(54,909)	1,032,553	6,530,538
Issue of shares net of issuing expenses	212	782	—	—	—	—	—	994
Exchange differences	—	—	—	—	—	(16)	—	(16)
Release of reserve upon disposal of properties held for/under development and properties held for sale	—	—	—	(4,543)	—	—	—	(4,543)
Release of reserves upon deemed disposal of a subsidiary	—	—	—	—	(8)	(5)	—	(13)
Profit for the period	—	—	—	—	—	—	20,356	20,356
<b>At 30th June 2002</b>	<b>401,041</b>	<b>4,890,642</b>	<b>1,815</b>	<b>171,442</b>	<b>84,397</b>	<b>(54,930)</b>	<b>1,052,909</b>	<b>6,547,316</b>
At 1st January 2001, as previously reported	393,762	4,854,723	1,815	—	80,157	(56,824)	1,211,913	6,485,546
Effect of adoption of SSAP 30	—	—	—	215,511	—	—	(215,511)	—
<b>At 1st January 2001, as restated</b>	<b>393,762</b>	<b>4,854,723</b>	<b>1,815</b>	<b>215,511</b>	<b>80,157</b>	<b>(56,824)</b>	<b>996,402</b>	<b>6,485,546</b>
Issue of shares net of issuing expenses	6,629	33,381	—	—	—	—	—	40,010
Release of reserves upon deemed disposal of a subsidiary	—	—	—	—	(20)	(23)	—	(43)
Profit for the period	—	—	—	—	—	—	46,420	46,420
<b>At 30th June 2001</b>	<b>400,391</b>	<b>4,888,104</b>	<b>1,815</b>	<b>215,511</b>	<b>80,137</b>	<b>(56,847)</b>	<b>1,042,822</b>	<b>6,571,933</b>

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The effects of adopting these new policies are not material to the accounts.

Certain figures in segment information for the period ended 30th June 2001 have been restated to conform with the current period presentation.

### 2 SEGMENT INFORMATION

The Group is principally engaged in development, operation and management of toll highways and bridges, development, selling and management of properties and holding of investment properties, manufacturing and selling of newsprint, corrugated paper, cement and ready-mixed concrete. Turnover and segment results for the period are as follows:

#### *Primary reporting format - business segments*

The Group is organised mainly in Hong Kong and the mainland of China (“China”) into four main business segments:

- Toll operations - development, operation and management of toll highways and bridges
- Properties - development, selling and management of properties and holding of investment properties

## 2 SEGMENT INFORMATION *(Continued)*

- Paper - manufacturing and selling of newsprint and corrugated paper
- Cement - manufacturing and selling of cement and ready-mixed concrete (discontinuing operation)

Other operations of the Group mainly comprise high technology business (discontinuing operation) and investment holding, neither of which are of a sufficient size to be reported separately.

There are no sales between the business segments.

### *Secondary reporting format - geographical segments*

The Group's four business segments are mainly managed in Hong Kong and China:

China - properties, paper, cement and toll operations

Hong Kong - properties and cement

Others - properties

There are no sales between the geographical segments.

**2 SEGMENT INFORMATION (Continued)**
**Primary reporting format - business segments**

	Six months ended 30th June											
	(Discontinuing operation)											
	Toll operations		Properties		Paper		Cement (Note)		Other operations		Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	173,883	214,169	304,298	330,249	539,585	661,199	525,058	527,562	1,924	1,581	1,544,748	1,734,760
Segment results	87,166	127,394	29,918	89,818	35,345	125,012	71,020	31,561	(5,582)	(7,922)	217,867	365,863
Interest income											6,911	15,776
Unallocated costs											(16,067)	(18,998)
Finance costs											(85,973)	(123,346)
Share of profits												
less (losses) of:												
Jointly controlled												
entities	(24,843)	—	(59)	—	—	(10,089)	6,109	341	—	—	(18,793)	(9,748)
Associated												
companies	68,202	68,195	4,972	(177)	—	—	—	—	(11,687)	(15,227)	61,487	52,791
Profit before taxation											165,432	282,338
Taxation											(32,162)	(49,295)
Profit after taxation											133,270	233,043
Minority interests											(112,914)	(186,623)
Profit attributable												
to shareholders											20,356	46,420

**Note:**

On 10th December 2001, the Company and its controlling shareholder, Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”), entered into a Conditional Sale and Purchase Agreement, pursuant to which, inter alia, the Company agreed to purchase or procure the purchase and Yue Xiu agreed to sell or procure the sale of a 100 per cent interest in Guangzhou City Construction & Development Holdings (China) Limited and a 49 per cent interest in Super Gain Development Limited, being currently a 51 per cent subsidiary of the Company, for a total consideration of approximately HK\$5,014 million, subject to satisfaction of certain conditions. The transaction is expected to be completed by the end of 2002.

## 2 SEGMENT INFORMATION (Continued)

### Primary reporting format - business segments (Continued)

Note: (Continued)

The consideration of approximately HK\$5,014 million will be satisfied as to (i) HK\$2,000 million in cash; (ii) about HK\$1,464 million by way of allotment and issuance of the Company's shares to Yue Xiu and/or its nominee(s); and (iii) HK\$1,550 million by way of disposals of the Company's 100 per cent interest in China Century Cement International Limited ("Cement Segment"), 36.84 per cent effective interest in Guangzhou Jin Peng Group Co., Ltd. ("Jin Peng") and 46.7 per cent effective interest in China Information Technology Industry Co., Limited ("China ITI") and assignment of shareholders' loans of the Cement Segment, Jin Peng and China ITI in the aggregate amount of about HK\$886 million to Yue Xiu and/or its nominee(s). The terms of the Conditional Sales and Purchase Agreement have been arrived at after arm's length negotiations and are based on normal commercial terms.

At the Extraordinary General Meeting held on 17th January 2002, the independent shareholders of the Company had approved the disposal of Cement Segment, Jin Peng and China ITI. The disposal is consistent with the Company's long-term strategy to refocus on property investment and development businesses.

As at 30th June 2002, the carrying amount of the assets of Cement Segment was HK\$2,075 million and its liabilities were HK\$1,999 million. Turnover and segment results of Cement Segment were disclosed above. During 2002, Cement Segment's cash inflow from operating activities was HK\$74 million, cash outflow from investing activities was HK\$16 million and cash outflow from financing activities was HK\$99 million. The carrying amount of assets, liabilities, turnover and segment results, and cash flow statements of Jin Peng and China ITI were not of a sufficient size to be disclosed separately.

### Secondary reporting format - geographical segments

	Six months ended 30th June			
	Turnover		Segment results	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
China	1,282,420	1,430,358	193,983	314,022
Hong Kong	260,915	303,092	33,463	51,857
Others	1,413	1,310	(9,579)	(16)
	<b>1,544,748</b>	1,734,760	<b>217,867</b>	365,863
Interest income			6,911	15,776
Unallocated costs			(16,067)	(18,998)
			<b>208,711</b>	362,641

**3 OPERATING PROFIT**

	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating profit is stated after crediting and charging the following:		
<b>Crediting</b>		
Gain on partial disposal of a jointly controlled entity	<b>6,240</b>	—
<b>Charging</b>		
Cost of inventories sold	<b>944,863</b>	914,517
Depreciation:		
Owned fixed assets	<b>98,519</b>	106,226
Leased fixed assets	<b>238</b>	385
Amortisation of interests in toll highways and bridges	<b>37,873</b>	29,561
Amortisation of development costs	<b>318</b>	—
Amortisation of other investments	—	2,081
Amortisation of goodwill	<b>1,240</b>	796
Loss on disposal of fixed assets	<b>1,255</b>	673
Provision for diminution in value of interests in property development projects	<b>9,881</b>	—
Loss on deemed disposal of a subsidiary	<b>2,261</b>	10,383

#### 4 TAXATION

Hong Kong profits tax has been provided at the rate of 16 per cent (2001: 16 per cent) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>Six months ended 30th June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	<b>3,660</b>	6,911
Overseas taxation		
- Current	<b>24,780</b>	37,250
- Overprovision in prior years	<b>(4,500)</b>	—
Deferred taxation	<b>665</b>	917
	<b>24,605</b>	45,078
-----		
Share of taxation attributable to:		
Jointly controlled entities	<b>1,059</b>	—
Associated companies	<b>6,498</b>	4,217
	<b>32,162</b>	49,295

#### 5 DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for 2002 (2001: nil).

#### 6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$20,356,000 (2001: HK\$46,420,000) and the weighted average number of 4,009,989,359 (2001: 3,947,507,328) ordinary shares in issue during the period.

## 6 EARNINGS PER SHARE (Continued)

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$20,356,000 (2001: HK\$53,638,661, after taking into account the effect of interest on convertible bonds) and the weighted average number of 4,009,989,359 (2001: 3,947,507,328) ordinary shares in issue during the period plus the weighted average number of 43,975,593 (2001: 733,682,323) potential dilutive ordinary shares deemed to be issued in respect of the outstanding share options.

The outstanding convertible bonds of the Company have not been taken into account for the purpose of calculation of the diluted earnings per share as the exercise of the outstanding convertible bonds would have an anti-dilutive effect.

## 7 CAPITAL EXPENDITURE

	Goodwill	Negative goodwill	Development costs	Total other intangible assets	Interests in toll highways and bridges	Fixed assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2002						
Opening net book amount	61,372	(78,535)	6,386	(10,777)	2,272,680	4,143,278
Further acquisition of subsidiaries and an associated company	7,016	(10,273)	—	(3,257)	—	—
Development costs recognised as an asset	—	—	2,084	2,084	—	—
Other additions	—	—	—	—	—	30,457
Disposals	—	—	—	—	—	(14,845)
Depreciation/amortisation charge	(1,344)	104	(318)	(1,558)	(37,873)	(98,757)
<hr style="border-top: 1px dashed black;"/>						
Closing net book amount	67,044	(88,704)	8,152	(13,508)	2,234,807	4,060,133

## 8 ACCOUNTS RECEIVABLE, PREPAYMENT AND DEPOSITS

The Group has defined credit policies for different business segments and markets. Included in trade and other receivables are trade debtors and their ageing analysis is as follows:

	<b>30th June</b>	31st December
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	<b>218,710</b>	290,713
31-90 days	<b>270,262</b>	223,043
Over 90 days	<b>187,695</b>	197,067
	<b>676,667</b>	710,823

## 9 ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade payables and their ageing analysis is as follows:

	<b>30th June</b>	31st December
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	<b>69,364</b>	102,539
31-90 days	<b>77,457</b>	60,552
Over 90 days	<b>15,722</b>	17,978
	<b>162,543</b>	181,069

**10 LONG-TERM LIABILITIES**

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Bank loans		
Unsecured	<b>1,053,374</b>	1,351,639
Secured		
- wholly repayable within five years	<b>898,347</b>	1,338,381
- not wholly repayable within five years	<b>2,378</b>	1,137
Obligations under finance leases	<b>531</b>	632
Loans from a shareholder	<b>4,011</b>	9,554
Loans from related companies	<b>140,872</b>	191,017
Loans from minority shareholders	<b>1,670,842</b>	1,766,437
Other loans	<b>55,844</b>	53,729
Convertible bonds	<b>450,073</b>	450,073
	<b>4,276,272</b>	5,162,599
Less: Current portion of long-term liabilities	<b>(1,080,431)</b>	(801,424)
	<b>3,195,841</b>	4,361,175

At 30th June 2002, the Group's bank loans and other borrowings were repayable as follows:

	<b>Bank loans</b>		<b>Loans from a shareholder/ related companies/minority shareholders/other loans/ finance leases/ convertible bonds</b>	
	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Within one year	<b>749,368</b>	453,986	<b>331,063</b>	347,438
In the second year	<b>611,469</b>	1,491,032	<b>200,853</b>	200,925
In the third to fifth year	<b>592,589</b>	745,002	—	29
After the fifth year	<b>673</b>	1,137	—	—
With no fixed repayment terms	—	—	<b>1,790,257</b>	1,923,050
	<b>1,954,099</b>	2,691,157	<b>2,322,173</b>	2,471,442

## 11 SHARE CAPITAL

Movements of issued share capital of the Company during the period are as follows:

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1st January 2001	3,937,627,400	393,762
Exercise of share options	11,652,000	1,165
Exercise of convertible bonds	59,014,267	5,902
<hr/>		
At 31st December 2001	4,008,293,667	400,829
At 1st January 2002	4,008,293,667	400,829
Exercise of share options	2,120,000	212
<hr/>		
At 30th June 2002	4,010,413,667	401,041

During the period, share options were exercised to subscribe for 2,120,000 ordinary shares in the Company at a total consideration of HK\$1,062,000, of which HK\$212,000 was credited to share capital and the balance of HK\$850,000 was credited to the share premium account.

## 12 CONTINGENT LIABILITIES

There is no significant change in the Group's contingent liabilities since the last annual balance sheet date.

## 13 COMMITMENTS UNDER OPERATING LEASES

	30th June 2002		31st December 2001	
	Land and buildings HK\$'000	Others HK\$'000	Land and buildings HK\$'000	Others HK\$'000
Not later than one year	4,091	1,941	4,890	7,462
Later than one year and not later than five years	13,644	—	12,361	—
<hr/>				
	17,735	1,941	17,251	7,462

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rentals payable under such leases.

## 14 OTHER COMMITMENTS

As at 30th June 2002, the Group held the following commitments:

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
(i) Commitments in respect of purchase of fixed assets and toll road and properties held for/under development:		
Contracted but not provided for	<b>733,604</b>	703,897
Authorised but not contracted for	<b>144,837</b>	183,889
	<b>878,441</b>	887,786
(ii) Commitment in respect of acquisition of remaining interest in a subsidiary contracted but not provided for	<b>291</b>	135,561

## 15 PLEDGE OF ASSETS

There is no significant change in the pledge of assets since the last annual balance sheet date.

## 16 RELATED PARTY TRANSACTIONS

(a) During the period, significant related party transactions which were carried out in the normal course of the Group's business are as follows:

	<b>Six months ended 30th June</b>	
	<b>2002 HK\$'000</b>	2001 HK\$'000
Interest on convertible bonds paid to a shareholder and a related company	<b>6,768</b>	7,238
Loan interest paid to		
- related companies ( <i>note (i)</i> )	<b>2,760</b>	2,485
- minority shareholders	<b>779</b>	2,509
Management fee paid to minority shareholders	<b>2,460</b>	2,125
Interest received from a minority shareholder	<b>—</b>	4,869
Fixed rate management fee for toll highways paid and payable to a minority shareholder ( <i>note (ii)</i> )	<b>25,657</b>	29,154

**16 RELATED PARTY TRANSACTIONS** *(Continued)*(a) *(Continued)**Notes:*

- (i) The related companies are under common control of the Company.
  - (ii) The related party transaction was conducted in accordance with the terms as disclosed in the 2001 annual report.
- (b) On 12th April 2002, the Group entered into an agreement to transfer 5 per cent of its interest in the jointly controlled entity to Guangzhou Highways Development Company for a total consideration of Rmb51.1 million (equivalent to approximately HK\$47.8 million), subject to satisfaction of certain conditions. The total consideration was satisfied on completion as to (1) Rmb34.9 million (equivalent to approximately HK\$32.6 million) by way of the procurement of the transfer of an aggregate of 0.995 per cent effective interest in an associated company, Guangdong Humen Bridge Co., Ltd. effective from 1st January 2002; and (2) Rmb16.2 million (equivalent to approximately HK\$15.2 million) in cash.

**17 SUBSEQUENT EVENTS**

- (a) On 21st August 2002, the Group entered into an agreement, subject to satisfaction of certain conditions, to acquire a non-majority effective interest in a Sino-foreign co-operative joint venture. Total consideration for the acquisition was equivalent to approximately Rmb322.0 million and a deposit of HK\$86.0 million was paid on 23rd August 2002.
- (b) By a loan agreement dated 23rd September 2002 and entered into between the Company and a group of banks in Hong Kong (“Lenders”), a syndicated loan facility in the aggregate principal amount of HK\$2,630 million is made available by the Lenders to the Company for a term of 66 months from 23rd September 2002 or 60 months from date of first drawing, whichever date is the earlier, and subject to and in accordance with the terms and conditions therein contained. Under the provision of the loan agreement, it is an event of default if Yue Xiu holds less than 30 per cent of the issued share capital of the Company.

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June 2002, the interests of the directors of the Company in the equity or debt securities of the Company and its subsidiary, GZI Transport Limited ("GZI Transport"), as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Personal Interests	Family Interests
<b>The Company</b>		
(Ordinary shares of HK\$0.10 each)		
Mr Liu Jinxiang	1,200,000	60,000
Mr Xie Shuwen	300,000	—
Mr Liang Ningguang	200,000	60,000
Mr Cai Hanxiang*	300,000	—
Mr Luo Guoqing	10,000	—
Mr Wang Hongtao	300,000	—
Mr Wong Chi Keung	500,000	—
Ms Yan Yuk Fung	500,000	—
<b>GZI Transport</b>		
(Ordinary shares of HK\$0.10 each)		
Mr Dong Huiyan	240,000	—
Mr Li Jiaqiang	136,000	—
Mr Yin Hui	140,000	—
Mr Wong Chi Keung	158,000	—
Ms Yan Yuk Fung	100,000	—

As at 30th June 2002, the following directors of the Company had interests recorded in the register maintained under Section 29 of the SDI Ordinance being options granted under the share option schemes of (1) the Company and (2) GZI Transport to subscribe for ordinary shares in the respective companies :

(1) *The Company*

Name of Director	Date of grant	Exercise price per share HK\$	Number of options		
			outstanding as at 1st January 2002	exercised during the period	outstanding as at 30th June 2002
Mr Liu Jinxiang	14/12/1999 (b)	0.5008	1,040,000	900,000 (c)&(f)	140,000 (d)
Mr Xie Shuwen	23/02/1998 (a)	0.7344	1,000,000	—	1,000,000
	14/12/1999 (b)	0.5008	700,000	—	700,000
Mr Liang Ningguang	23/02/1998 (a)	0.7344	1,000,000	—	1,000,000
	14/12/1999 (b)	0.5008	840,000	—	840,000 (e)
Mr Xiao Boyan	23/02/1998 (a)	0.7344	1,000,000	—	1,000,000
	14/12/1999 (b)	0.5008	700,000	—	700,000
Mr Cai Hanxiang*	14/12/1999 (b)	0.5008	700,000	—	700,000
Mr Dong Huiyan	23/02/1998 (a)	0.7344	1,000,000	—	1,000,000
	14/12/1999 (b)	0.5008	700,000	—	700,000
Mr Li Jiaqiang	23/02/1998 (a)	0.7344	1,000,000	—	1,000,000
	14/12/1999 (b)	0.5008	700,000	—	700,000
Mr Shi Jinling	14/12/1999 (b)	0.5008	1,000,000	—	1,000,000
Mr Wang Hongtao	14/12/1999 (b)	0.5008	800,000	—	800,000
Mr Wong Chi Keung	14/12/1999 (b)	0.5008	700,000	—	700,000
Ms Yan Yuk Fung	14/12/1999 (b)	0.5008	800,000	—	800,000

Notes:

- (a) The share options are exercisable from the date of grant to the business day preceding 21st November 2002.
- (b) The share options are exercisable from the first anniversary of the date of grant to the business day preceding the sixth anniversary of the date of grant, of which a maximum of 30 per cent and 100 per cent thereof are exercisable from the first and second anniversaries of the date of grant respectively.
- (c) These interests include options to subscribe for 60,000 shares in the Company exercised by his spouse during the period.
- (d) This interest represents options to subscribe for 140,000 shares in the Company held by his spouse.
- (e) These interests include options to subscribe for 140,000 shares in the Company held by his spouse.
- (f) The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.70.

(2) *GZI Transport*

Name of Director	Date of grant	Exercise price per share HK\$	Number of options		
			outstanding as at 1st January 2002	exercised during the period	outstanding as at 30th June 2002
Mr Liu Jinxiang	22/12/1999	0.9984	9,676,000	—	9,676,000
Mr Xie Shuwen	07/04/2000	0.7520	560,000	—	560,000
Mr Liang Ningguang	06/08/1997	2.4080	500,000	—	500,000
	22/12/1999	0.9984	8,400,000	—	8,400,000
Mr Xiao Boyan	06/08/1997	2.4080	500,000	—	500,000
Mr Cai Hanxiang*	06/08/1997	2.4080	500,000	—	500,000
Mr Dong Huiyan	07/04/2000	0.7520	560,000	240,000 (b)	320,000
Mr Li Jiaqiang	07/04/2000	0.7520	316,000	136,000 (b)	180,000
Mr Shi Jinling	07/04/2000	0.7520	450,000	—	450,000
Mr Yin Hui	06/08/1997	2.4080	600,000	—	600,000
	22/12/1999	0.9984	3,610,000	—	3,610,000
Mr Wang Hongtao	07/04/2000	0.7520	450,000	—	450,000
Mr Wong Chi Keung	07/04/2000	0.7520	316,000	—	316,000
Ms Yan Yuk Fung	07/04/2000	0.7520	450,000	—	450,000

Notes:

(a) The share options are exercisable at any time within the period between the first anniversary of the date of grant and the business day preceding the sixth anniversary of the date of grant, of which a maximum of 30 per cent, 60 per cent and 100 per cent thereof are exercisable from the first, second and third anniversaries of the date of grant respectively.

(b) The weighted average closing price per share immediately before the date on which the options were exercised was HK\$1.62.

\* Mr Cai Hanxiang resigned as director of the Company with effect from 19th September 2002

Save as disclosed herein, none of the directors of the Company (including their spouse and children under 18 years of age) had any interests in the equity or debt securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) as at 30th June 2002 which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Save as disclosed herein, no rights to subscribe for equity or debt securities of the Company have been granted by the Company to, nor have any such rights been exercised by, any directors of the Company (including their spouse and children under 18 years of age) during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2002, those persons or corporations having an interest in 10 per cent or more of the issued share capital of the Company as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance were as follows :

<b>Substantial shareholders</b>	<b>Number of ordinary shares held</b>
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”)	1,702,182,734 (a)
Excellence Enterprises Co., Ltd.	1,669,474,734 (b)
Bosworth International Limited	774,772,574 (c)
Sun Peak Enterprises Ltd.	565,683,000 (c)
Novena Pacific Limited	565,683,000 (d)

*Notes:*

- (a) This interest represents the total number of ordinary shares of the Company held by Yue Xiu and its subsidiaries where Yue Xiu is taken to be interested in such shares under Section 8 of the SDI Ordinance.
- (b) Subsidiary of Yue Xiu and its interest in the ordinary shares of the Company is duplicated in the interest of Yue Xiu.
- (c) Subsidiaries of Excellence Enterprises Co., Ltd. and their interests in the ordinary shares of the Company are duplicated in the interest of Excellence Enterprises Co., Ltd.
- (d) Subsidiary of Sun Peak Enterprises Ltd. and its interest in the ordinary shares of the Company is duplicated in the interest of Sun Peak Enterprises Ltd.

Save as disclosed herein, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10 per cent or more of the issued share capital of the Company.

## SHARE OPTIONS

### (i) *The Company*

Pursuant to share option schemes (the “Share Option Schemes”) approved by shareholders of the Company on 21st November 1992 and 23rd June 1998, the board of directors of the Company (the “Board”) may, at their discretion, offer to directors and employees of the Company or any of its subsidiaries options to subscribe for ordinary shares in the Company. The Share Option Schemes are designed to act as an incentive to employees and executives of the Group. The exercise price was determined by the Board and being equal to the higher of (a) the nominal value of the share; and (b) not less than 80 per cent of the average closing prices of the shares on the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding (in the case of the share option scheme adopted on 21st November 1992) the date of offer or (in the case of the share option scheme adopted on 23rd June 1998) the date of grant of an option. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option.

On 26th June 2002, the shareholders of the Company approved the resolutions relating to the termination of the Share Option Schemes and the adoption of a new share option scheme (the “2002 Share Option Scheme”). Upon termination of the Share Option Schemes, no further share options will be granted thereunder but all the outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith, and only those provisions of the Share Option Schemes which are required to give effect to the outstanding share options continue to remain in force for such purpose. The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Pursuant to the 2002 Share Option Scheme, the Board may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries (“Participants”) options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 per cent of the number of shares in issue as at 26th June 2002. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 per cent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders’ approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the

second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) 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 (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option. No such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

Movements of the options of the Company, which have been granted under the Share Option Schemes, during the period were as follows :

	Number of options			Exercise price per share HK\$	Date of grant	Exercisable period (3)
	outstanding as at 1st January 2002	exercised during the period	outstanding as at 30th June 2002			
Directors	5,000,000	—	5,000,000	0.7344	23/02/1998	23/02/1998 - 20/11/2002
	8,680,000	900,000	7,780,000	0.5008	14/12/1999	14/12/2000 - 13/12/2005
Employees	17,600,000	—	17,600,000	0.7344	23/02/1998	23/02/1998 - 20/11/2002
	70,000,000	—	70,000,000	0.3936	04/09/1998	04/09/1999 - 03/09/2004
	43,694,000	1,220,000 <sup>(4)</sup>	42,474,000	0.5008	14/12/1999	14/12/2000 - 13/12/2005
<b>Total</b>	<b>144,974,000</b>	<b>2,120,000</b>	<b>142,854,000</b>			

Notes:

- No options have been granted, cancelled or lapsed during the period.
- The options granted on 4th September 1998 and 14th December 1999 are exercisable in 2 tranches.
- If the last day of the exercisable period is not a business day, the exercisable period will expire on the business day preceding thereof.
- The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.68.

(ii) *GZI Transport*

Movements during the period of the options granted under the share option scheme of GZI Transport to the employees of the Group other than the directors of the Company as disclosed on page 29 were as follows :

Number of options			Exercise price per share HK\$	Date of grant	Exercisable period (3)
outstanding as at 1st January 2002	exercised during the period	outstanding as at 30th June 2002			
21,400,000	—	21,400,000	2.4080	06/08/1997	06/08/1998 - 05/08/2003
23,502,000	—	23,502,000	0.7632	04/09/1998	04/09/1999 - 03/09/2004
12,206,000	—	12,206,000	0.9984	22/12/1999	22/12/2000 - 21/12/2005
10,686,000	1,102,000 <sup>(4)</sup>	9,584,000	0.7520	07/04/2000	07/04/2001 - 06/04/2006

Notes:

1. No options have been granted, cancelled or lapsed during the period.
2. All options are exercisable in 3 tranches.
3. If the last day of the exercisable period is not a business day, the exercisable period will expire on the business day preceding thereof.
4. The weighted average closing price per share immediately before the date on which the options were exercised was HK\$1.62.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its shares during the six months ended 30th June 2002. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

**CODE OF BEST PRACTICE**

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the relevant period, in compliance with the Code of Best Practice as stipulated in Appendix 14 of the Listing Rules. The non-executive directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

**AUDIT COMMITTEE**

The unaudited interim accounts for the six months ended 30th June 2002 had been reviewed by the Audit Committee.

By order of the Board

**Liu Jinxiang**  
*Chairman*

Hong Kong, 24th September 2002

## CORPORATE AND INVESTOR RELATIONS INFORMATION

### BOARD OF DIRECTORS

#### *Executive directors*

Liu Jinxiang (*Chairman*)  
 Xie Shuwen  
 Chen Guangsong  
 Li Fei  
 Liang Ningguang  
 Xiao Boyan  
 Luo Guoqing  
 Dong Huiyan  
 Li Jiaqiang  
 Shi Jinling  
 Yin Hui  
 Wu Yiyue  
 Wang Hongtao  
 Wong Chi Keung  
 Yan Yuk Fung

#### *Independent non-executive directors & audit committee members*

Yu Lup Fat Joseph  
 Lee Ka Lun

### COMPANY SECRETARY

Wong Chi Keung

### AUDITORS

PricewaterhouseCoopers  
*Certified Public Accountants*

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
 The Hongkong and Shanghai Banking  
 Corporation Limited

### WEBSITE TO ACCESS COMPANY INFORMATION

<http://www.gzinvestment.com.hk>  
<http://www.hkex.com.hk>

### REGISTERED OFFICE

24th Floor  
 Yue Xiu Building  
 160-174 Lockhart Road  
 Wanchai, Hong Kong

### SHARE REGISTRAR

Abacus Share Registrars Limited  
 5th Floor, Wing On Centre  
 111 Connaught Road Central, Hong Kong

### SHARE LISTING

The Company's shares are listed on:  
 The Stock Exchange of Hong Kong Limited  
 Singapore Exchange Securities Trading Limited

The stock codes are:  
 The Stock Exchange of Hong Kong Limited – 123  
 Reuters – 123.HK  
 Bloomberg – 123 HK

### INVESTOR RELATIONS

For further information about  
 Guangzhou Investment Company Limited,  
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 Josephine Mak  
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 Facsimile : (852) 2598 7688  
 Email : [contact@gzinvestment.com.hk](mailto:contact@gzinvestment.com.hk)

### ADR DEPOSITARY BANK

The Bank of New York  
 American Depositary Receipts  
 620 Avenue of the Americas, 6th Floor  
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 Facsimile : (646) 885 3043