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FINANCIAL HIGHLIGHTS

Six months ended 30th June

	2003 HK\$'000	As restated 2002 HK\$'000
Turnover	1,662,046	1,544,748
Profit from operations	260,303	208,711
Share of profits/(losses) of		
Jointly controlled entities	(10,215)	(18,793)
Associated companies	85,730	61,487
Profit attributable to shareholders	108,143	15,329
Basic earnings per share	1.768 cents	0.382 cent
Fully diluted earnings per share	1.752 cents	0.378 cent
Interest coverage	3.51 times	4.7 times

	30th June 2003 HK\$'000	As restated 31st December 2002 HK\$'000
Total assets	24,602,217	25,364,969
Total liabilities (including minority interests)	17,741,110	18,638,937
Shareholders' funds	6,861,107	6,726,032
Net asset per share	HK\$1.12	HK\$1.10
Net tangible asset per share	HK\$1.39	HK\$1.41
Gearing ratio	44%	44%

BUSINESS REVIEW

Guangzhou property market developed healthily without overheating

As a result of urbanization and growth of middle class, increasing number of university graduates from northern China live and work in Guangzhou. Coupled with rising demand from local residents and upgrading needs, the Guangzhou property market in the first half of 2003 continued to expand steadily. Total supply of private residential units of the ten districts in Guangzhou amounted to 3.67 million sq. meters and decreased by 8.3 per cent over the same period of last year. However, demand in terms of transaction area increased by 5.4 per cent to 4.47 million sq. meters. Consequently, outstanding stock continued to fall substantially by 16 per cent to 4.20 million sq. meters. Average selling price was RMB4,452 per sq. meter, which was similar to levels of last year and there was no signs of overheating.

In the first half of 2003, the secondary market of the ten districts in Guangzhou also continued to expand. Area sold has reached 2.67 million sq. meters with average selling price of RMB2,809 per sq. meter. Size of the secondary market in terms of transacted value increased to 38 per cent of the primary market, which will in turn facilitate upgrading and expansion of the primary market.

Land and project resources increased sharply upon the acquisition of Guangzhou Development

Upon the acquisition of a majority interest in the assets of Guangzhou City Construction & Development Holdings Limited (“Guangzhou Development”), the Group’s land and project resources of different types increased sharply on an across the board basis.

Pre-sales and sales of properties in the first half of 2003 increased by 291 per cent to 133,000 sq. meters when compared with the same period of last year. Major projects for sale included Grand City Garden, Hua Cheng Mansion, Tian Jun Court, Fortune Plaza, Galaxy City, Urban Oasis, Lingnan Garden, Run Hui Building, Wen De Ya Xuan and Romantic Garden. These projects are of high quality and balanced mix. For example, Urban Oasis near Sun Yat-Sen University in Haizhu District with a total gross floor area of 400,000 sq. meters is located on top of a metro station and is easily accessible. Galaxy City of Zhujiang Xincheng is awarded the “Top Ten Brandname Community”. Owing to expansion of state-owned financial institutions, purchase and renting of Fortune Plaza, an office building in Tianhe District, by institutional customers was also very active. Sales of luxury houses such as Grand City Garden and Hua Cheng Mansion in Er Sha Island were robust. There was also strong demand for budget housing in Run Hui Building and Wen De Ya Xuan. Overall, over 60 per cent of the ten major projects launched in the first half of the year was sold and contributed 46.5 per cent (HK\$773 million) of the Group’s turnover in the first half of 2003.

Moreover, the actual rental area of properties also increased sharply to 268,200 sq. meters. Major projects include City Development Plaza, White Horse Commercial Building, Guangzhou Sports Stadium Building, Jin Han Building, Xiangkang Commercial Plaza, City Development Building and Guang Yuan Cultural Centre. The rental portfolio is diversified in grades, locations and land use and covered Grade A offices, prime shopping malls, shops in residential complexes and car parks. The properties in Guangzhou generated a steady rental income of HK\$85 million in the first half of 2003 accounting for 5.1 per cent of the Group’s turnover.

In the first half of 2003, property under construction also increased by 720 per cent to 1,430,000 sq. meters and will mostly be completed in 2003, 2004 and 2005 respectively, of which 85 per cent is residential properties. This will underpin earnings growth in the coming three years.

Furthermore, land bank held for medium term development also sharply increased to 6,800,000 sq. meters, the bulk of which is in Nansha. Nansha is located at the southern side of Guangzhou and the centre of the Pearl River Delta. It will be developed into an industrial, logistic, commerce and trade, shipping and high technology centre. Nansha, which targets residential and new enterprises land uses, will be developed into a new city to accommodate a population of up to one million. Its potential is comparable to Pudong of Shanghai or Yokohama in Tokyo. The Eastern Expressway and the Central Expressway linking Guangzhou and Nansha are under construction. Upon completion, traveling time from Guangzhou to Nansha will be reduced from 45 minutes to 30 minutes. In addition, light railway from Panyu and Guangzhou Metro Line Number 4 will also be extended to Nansha. A new pier for ferries serving Nansha and Hong Kong is under construction. Upon completion, journey from Nansha to Hong Kong will only take 75 minutes. Construction of these infrastructure is scheduled to be completed in the next one to three years. Although the plot in Nansha is a medium term project, the Group will form joint ventures and invests by stages in order to increase the scale of development gradually and realize profits faster.

Brand name effect and market positioning

Apart from expanding land and project resources, Guangzhou Development is also a well known property brand in the Guangzhou market with over 20 years of track record in real estate development. It has established related ancillary companies covering functions such as design, supervision, sales, property agency and management and can effectively control major segments in the property development process. Its financial position is sound and has been accredited as the number one in integrated capability of property development in Guangzhou many times. The awards it has received over the years included “Number one of the top ten corporations in development, construction and investment of real property in Guangzhou” in 2001, one of the “Ten most popular developers” in 2002, the “Top twenty enterprises in property development and credibility” in Guangdong in 2001, 2002 and the “Observing contracts and keeping promises enterprises” award for the last ten consecutive years.

To capitalize on the brand name of Guangzhou Development, the positioning of the Group’s real estate business will focus on the development and sales of medium-priced residential properties ranging from RMB5,500 to RMB6,500 per sq. meter. The Group will also selectively develop premium offices, shopping malls and up market residential properties for rental. Land banks in urban area will be given priority of development while those in the suburb will be for the medium term. Leveraging on a sizable portfolio of rental properties and land banks, the Group is able to achieve the dual objective of high growth and steady income.

Changes in banks’ credit policies and government’s land sale policy in 2003

In mid-June this year, the People’s Bank of China announced that the bank credit policy for the real estate business should be adjusted. Banks should target those property development enterprises which have higher credit standing and no defaulting record. Loans should be mainly provided to residential projects which are affordable to families of medium to low income. Loans for large size, high-end residential projects and villas should be limited and no loans in any form shall be granted to projects without land use right certificates, land use planning permits, engineering planning permits and construction permits. Granting of loans as working capital or in other forms is also strictly prohibited. In 2003, the Guangzhou Municipal People’s Government also announced that no more land will be granted for the development of villas. Starting from 2004, land purchase in government auction must be settled immediately. In the secondary market, land transactions currently must be made public with sales to bidders of the highest prices. Land premiums must be fully paid prior to the transfer of land.

The objective of these measures is to increase the entry barrier for real estate developers, better regulate the market and enhance its transparency. As the real estate market in China differs tremendously from region to region, banks in different provinces are in the process of drafting their credit policy in detail. The specific measures are yet to be announced. As there is no overheating in the Guangzhou property market, it is believed that adjustment in credit policy will not affect the market adversely. Instead, market development may become healthier in the future, which will be more favourable to the Group. After the acquisition of Guangzhou Development, the Group’s brand name, credibility and quality are of a first tier developer, and is expected to be continuously supported by banks.

Other businesses: Toll road earnings recovered while newsprint business continued to see cyclical adjustment

During the first half of 2003, performance of GZI Transport Limited (“GZI Transport”), the toll road subsidiary of the Company, rebounded substantially as the negative factors in 2002 such as traffic diversion by other new roads, Guangzhou Northern Second Ring Expressway recorded losses in the first year of its operation, and ending of the tax holiday of certain toll road projects have all been eased. GZI Transport recorded 45 per cent increase in profit attributable to shareholders of HK\$113,081,000 during the period and satisfactory performance is expected in the second half of the year.

Guangzhou Paper Co., Ltd. (“Guangzhou Paper”) continued to maintain one of the biggest market shares in the domestically produced newsprint market. However, owing to lower international newsprint price and expansion of capacity in China, Guangzhou Paper faced a challenging environment during the first half of the year.

In the first half of 2003, Guangzhou Paper sold 122,200 tonnes of newsprint, which decreased by 0.5 per cent compared with the same period last year. Average newsprint price was down by 6.2 per cent to RMB4,032 per tonne but the prices of raw materials such as wood and imported waste paper increased and resulted in a lower gross margin. However, by implementing stringent cost control measures such as downsizing and early repayment of bank loans, administrative and finance costs was reduced and considerably offset part of the increases in raw material cost.

Looking forward to the second half of 2003, the Group expects the newsprint market will remain competitive in China. However, with rising raw material costs, price of newsprint may stabilize in the second half of the year. Guangzhou Paper is planning to explore new regional markets in Eastern and Western China to increase sales volume.

Future strategy and prospects

Upon the acquisition of Guangzhou Development, both land and project resources and operation strengths of the Group have been greatly enhanced. Moreover, the Group and Guangzhou Development are highly complementary to each other as the Group has funding sources from both Hong Kong and the Mainland of China, which favours the capital intensive real estate business, whereas Guangzhou Development is a well know property brand in Guangzhou. It has a diversified portfolio comprising properties for sale, for rental, under construction and land bank at the high, medium and mass market. It is also one of the few real estate developers in the industry which has a steady stream of rental income and a sizable land bank at the same time. It has established teams of project development, property management and agency services with abundant experienced professionals. The Group’s focus for the year is to adjust and strengthen its business model to shorten the construction and sales cycle so as to realize the synergies between the Group and Guangzhou Development and enhance return on net assets.

Upon the acquisition of Guangzhou Development, the business structure of the Group has become more focused with Guangzhou real estate business amounts to approximately 51.6 per cent of its turnover and approximately 80 per cent of its net assets. Its business strategy will centre on real estate development in Guangzhou. Non-core business will be gradually divested in due course.

Looking ahead, the economic environment in the Pearl River Delta is very favourable. GDP of Guangzhou has been growing at over 10 per cent annually. With growing urbanization and expansion of the middle class, the population of Guangzhou, including the local and the immigrants from other provinces, will grow over 10 million. Coupled with upgrading needs, sales of residential properties has been continuously rising over the past few years. Upon implementation of the Closer Economic Partnership Arrangement (CEPA) signed between Hong Kong and the Mainland of China in July, a large number of service enterprises will come to Guangdong which is the springboard to the rest of China. The proposed construction of the Hong Kong/Macau/Zhuhai Bridge will further speed up the integrated development amongst the Pearl River Delta, Guangzhou and Hong Kong. Although the impact of tightening credit imposed by the People’s Bank of China is yet to be observed, it is believed that it will not create adverse effects as there is no overheating in the Guangzhou property market. The Group is very optimistic about the development of its business in the years ahead.

FINANCIAL REVIEW

Analysis of results

In spite of disposal of the non-core cement business in 2002, the Group's turnover in the first half of 2003 increased by 8 per cent to HK\$1,662,046,000 when compared with the same period of 2002 primarily due to acquisition of the entire interest in Guangzhou Construction & Development Holdings (China) Limited ("GCD").

The outbreak of SARS did not pose substantial negative effect to the Group's performance. Turnover of property sales and rental income in the Mainland of China ("China") increased by 230 per cent and 608 per cent to HK\$772,982,000 and HK\$84,864,000 respectively as a result of substantially larger sales and rental area from consolidating six months' turnover of GCD. Turnover of the Group's toll road business also rebounded by 10 per cent to HK\$191,580,000 in the first half of 2003 as the negative factor of traffic diversion by other new roads had eased. However, lower international newsprint price reduced turnover of the Group's newsprint business by 10 per cent to HK\$483,671,000.

Both property and toll road businesses achieved increase in gross profit in the first half of 2003. Total gross profit of the Group amounted to HK\$502,428,000 and increased by 2 per cent despite higher cost of raw materials in the newsprint business.

Selling expenses increased by 41 per cent to HK\$63,664,000 primarily due to increased selling expenses of newsprint business as a result of intensified competition. However, administrative expenses decreased substantially by 37 per cent to HK\$168,959,000 due to stringent cost control in all the three businesses. Consequently, operating profit of the Group increased substantially by 25 per cent to HK\$260,303,000 despite increase in loss on deemed disposal of a subsidiary caused by the exercise of GZI Transport Limited share options.

Owing to increase in bank borrowings as compared to same period of last year, finance costs in first half of 2003 increased by 31 per cent to HK\$112,819,000.

The increase in share of profits of associated companies by 39 per cent to HK\$85,730,000 was mainly attributable to higher profit contributed by the associated companies of GZI Transport Limited. Share of losses of jointly controlled entities decreased by 46 per cent to HK\$10,215,000 mainly due to reducing loss incurred by Guangzhou Northern Second Ring Expressway, whose traffic volume doubled in the period.

Taxation increased by 5 per cent to HK\$38,881,000 due to higher pre-tax profit.

Minority interests decreased by 33 per cent to HK\$75,975,000 mainly due to disposal of cement and high technology businesses, lower profit contributed by newsprint business and higher stake owned by the Group in the property business.

For the first half of 2003, the Group's profit attributable to shareholders and basic earnings per share increased significantly to HK\$108,143,000 and 1.768 cents respectively (2002 as restated: profit attributable to shareholders of HK\$15,329,000 and basic earnings per share of 0.382 cent).

Interim dividend

The Board of Directors has resolved to declare an interim dividend for 2003 of 0.8 cent (2002: nil) per share payable on 10th November 2003 to shareholders whose names appear on the register of members on 31st October 2003. Interim dividend pay out ratio will be 45.5 per cent.

Earnings per share

	Six months ended 30th June	
	2003	As restated 2002
Weighted average number of shares in issue	6,118,305,482	4,009,989,359
Profit attributable to shareholders (HK\$)	108,143,000	15,329,000
Basic earnings per share (cent(s))	1.768	0.382
Fully diluted earnings per share (cent(s))	1.752	0.378

The weighted average number of shares in issue during the period was increased by 53 per cent as 2,107,688,555 shares were issued in December 2002 for the acquisition of a controlling interest in Guangzhou City Construction and Development Holdings Limited and some other property assets in China and 5,248,000 shares were issued upon exercise of share options during the period. Total issued shares outstanding as at 30th June 2003 was 6,121,230,222 shares.

Analysis of cash flows

During the first six months of 2003, net cash inflow of HK\$244 million (2002: HK\$224 million) from operating activities had been generated mainly from toll road business and property business. Net cash used in investing activities amounted to HK\$52 million (2002: HK\$16 million) was mainly due to the capital expenditure incurred by property and newsprint businesses during the period. Net cash used in financing activities of HK\$58 million (2002: HK\$467 million) was resulted from the net repayment of bank loans.

Liquidity and capital resources

The Group continued to maintain a solid liquidity position. As at 30th June 2003, the Group had bank deposits, cash and bank balances of approximately HK\$1,201 million (2002: HK\$1,077 million) which increased by 11 per cent compared to 31st December 2002 and was caused by the increase in the Group's revenue. Approximately 72 per cent of the bank deposits, cash and bank balances was in RMB, 19 per cent was in HK dollars and the rest was in US dollars and other currencies.

As at 30th June 2003, the Group had outstanding convertible bonds and bank borrowings excluding bank overdrafts ("Bank Borrowings") of approximately HK\$201 million and HK\$6,575 million respectively (collectively "Total Borrowings"), which had a slight decrease of 3 per cent compared with 31st December 2002. Approximately 52 per cent of Total Borrowings was denominated in HK dollars, 45 per cent in RMB and 3 per cent in US 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 are sufficient to meet the Group's short to medium term RMB, HK dollars and US dollars borrowings, finance costs and dividend payments.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Repayable within				Total
	one year	one to two years	two to five years	over five years	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank Borrowings	2,381,452	1,049,626	3,144,027	256	6,575,361
Convertible Bonds	200,623	—	—	—	200,623
Total Borrowings	<u>2,582,075</u>	<u>1,049,626</u>	<u>3,144,027</u>	<u>256</u>	<u>6,775,984</u>

Approximately 36 per cent of the Bank Borrowings will be repayable within one year, of which 75 per cent is contributed to RMB loans and approximately 75 per cent of the Bank Borrowings were related to property projects and secured by the Group's property portfolio. Given its improved financial position subsequent to the "Very Substantial Acquisition of Property Assets" in December 2002, the Group's credit has become significantly more attractive to the banking community. The relative liquidity risk is considered to be insignificant because the management is confident that short term loans, especially RMB loans, could be refinanced or further extended as planned by one to three years upon maturity. All outstanding convertible bonds were redeemed on 31st July 2003.

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 or invested in securities. The Group will maintain a balance banking relationship in both Hong Kong and China to take advantage of 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 exposure. As a hedging strategy, the management emphasises on mainly using RMB borrowings to finance the Group's RMB investments. Equity and debt financing in foreign currencies will also be used selectively. The Group is exploring the feasibility of increasing the ratio of Hong Kong dollar bank borrowings as supplementary funds. The Hong Kong dollar loan market may offer unexploited potential currently due to lower interest rate, longer maturity and flexible features such as interest rate swap.

Capital expenditures

During the first six months of 2003, the Group's major capital expenditure included a total expenditure of approximately HK\$8 million which was mainly incurred for improving the physical structure of toll highways and bridges, and a total expenditure of approximately HK\$48 million which was mainly incurred for the purchase of new fixed assets for property business as well as production facilities under construction, plant and machinery and tools for the newsprint business.

Capital and other commitments

As at 30th June 2003, the Group had capital commitments of HK\$523 million mainly for the construction of properties in China.

Contingent liabilities

There was no material change in contingent liabilities since the last annual balance sheet date.

Capital structure

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

	30th June 2003		As restated 31st December 2002	
	HK\$'000	per cent	HK\$'000	per cent
Convertible Bonds (fixed rate)	200,623	1	200,623	1
Bank Borrowings (floating rates)				
Denominated in RMB	3,080,590	20	3,058,150	19
Denominated in US dollars	156,000	1	546,000	4
Denominated in HK dollars	3,338,771	22	3,158,923	20
Total Borrowings	6,775,984	44	6,963,696	44
Shareholders' Funds plus Negative Goodwill	8,743,747	56	8,843,055	56
Total Capitalization	15,519,731	100	15,806,751	100
Gearing Ratio	44 per cent		44 per cent	

The Group's gearing ratio remains at a similar level of 44 per cent with that of 2002. By the adoption of SSAP 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants which was effective for accounting periods commencing on or after 1st January 2003, the Group's opening balances of negative goodwill and retained profits as at 1st January 2003 have been reduced by HK\$1,706 million and HK\$291 million respectively. Accordingly, the shareholders' fund plus negative goodwill as at 31st December 2002 was reduced by HK\$1,997 million to HK\$8,843 million.

Interest coverage

Interest cover based on operating profit after adjustment for the non-cash items in the first half of 2003 was 3.51 times and was lower than that of 4.7 times for the same period in 2002. This is the result of an increase in bank borrowings as compared to the same period of last year.

Employees

As at 30th June 2003, the Group had approximately 6,700 employees, of whom approximately 6,500 employees were primarily engaging in the properties, toll roads and paper businesses.

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 performance of the Group and individual employees.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2003

	Note	(Unaudited)	
		Six months ended 30th June	
		2003	As restated (Note 1) 2002
		HK\$'000	HK\$'000
Turnover	2	1,662,046	1,544,748
Cost of sales		(1,159,618)	(1,050,430)
Gross profit		502,428	494,318
Other revenues		18,426	20,089
Selling and distribution expenses		(63,664)	(45,262)
Administrative expenses		(168,959)	(266,330)
Other operating income, net		35,070	18,038
Loss on deemed disposal of a subsidiary		(62,998)	(2,261)
Operating profit before provision for impairment	3	260,303	218,592
Provision for impairment of interests in property development projects		—	(9,881)
Profit from operations		260,303	208,711
Finance costs		(112,819)	(85,973)
Share of profits/(losses) of			
- Jointly controlled entities		(10,215)	(18,793)
- Associated companies		85,730	61,487
Profit before taxation		222,999	165,432
Taxation	4	(38,881)	(37,189)
Profit after taxation		184,118	128,243
Minority interests		(75,975)	(112,914)
Profit attributable to shareholders		108,143	15,329
Interim dividend	5	49,257	—
Basic earnings per share	6	1.768 cents	0.382 cent
Fully diluted earnings per share	6	1.752 cents	0.378 cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2003 and 31st December 2002

	Note	(Unaudited) 30th June 2003 HK\$'000	As restated (Note 1) (Audited) 31st December 2002 HK\$'000
Interests in toll highways and bridges	7	2,196,672	2,217,197
Other intangible assets	7	(1,667,971)	(1,898,797)
Fixed assets	7	5,047,327	5,075,206
Interests in jointly controlled entities		763,839	797,185
Interests in associated companies		1,499,618	1,491,505
Investment securities and other investments		186,715	219,924
Deferred tax assets		113,426	112,880
Current assets			
Properties held for/under development		11,372,352	12,202,518
Properties held for sale		2,450,171	2,796,260
Interests in property development projects		68,517	68,493
Inventories		160,751	169,751
Due from related companies		36,326	57,971
Accounts receivable, prepayments and deposits	8	1,173,153	977,377
Bank balances and cash		1,201,321	1,077,499
		<u>16,462,591</u>	<u>17,349,869</u>
Current liabilities			
Accounts payable and accrued charges	9	4,322,539	5,026,648
Due to minority shareholders		139,043	104,739
Bank loans			
- Secured		623,364	1,336,449
- Unsecured		546,904	694,392
Bank overdrafts, unsecured		22,088	32,164
Current portion of long-term liabilities	10	1,411,981	1,386,510
Taxation payable		90,256	65,558
		<u>7,156,175</u>	<u>8,646,460</u>
Net current assets		<u>9,306,416</u>	<u>8,703,409</u>
Total assets less current liabilities		<u>17,446,042</u>	<u>16,718,509</u>
Financed by:			
Share capital	11	612,123	611,810
Reserves		6,199,727	6,114,222
Proposed interim dividend	5	49,257	—
Shareholders' funds		<u>6,861,107</u>	<u>6,726,032</u>
Minority interests		3,938,834	4,064,961
Non-current liabilities			
Long-term liabilities	10	4,576,694	3,803,142
Deferred tax liabilities		2,069,407	2,124,374
		<u>17,446,042</u>	<u>16,718,509</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003

	(Unaudited)	
	Six months ended 30th June	
	2003	2002
	HK\$000	HK\$000
Net cash inflow from operating activities	243,567	223,541
Net cash used in investing activities	(51,591)	(16,045)
Net cash used in financing activities	(58,078)	(466,610)
	133,898	(259,114)
Increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at 1st January	1,045,335	1,388,462
	1,179,233	1,129,348
Cash and cash equivalents at 30th June	1,179,233	1,129,348
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	1,201,321	1,159,882
Bank overdrafts	(22,088)	(30,534)
	1,179,233	1,129,348

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

	(Unaudited)							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1st January 2003, as previously reported	611,810	5,649,409	1,815	180,971	49,841	(80,183)	602,882	7,016,545
Change in accounting policy - provision for net deferred tax liabilities (Note 1)	—	—	—	—	—	—	(290,513)	(290,513)
At 1st January 2003, as restated	611,810	5,649,409	1,815	180,971	49,841	(80,183)	312,369	6,726,032
Issue of shares net of issuing expenses	313	1,225	—	—	—	—	—	1,538
Exchange differences	—	—	—	—	—	3,293	—	3,293
Transfers	—	—	—	7,097	(32,250)	—	25,153	—
Others	—	—	—	26,495	—	—	—	26,495
Amortisation of negative goodwill previously written off against retained profits	—	—	—	—	—	—	(4,033)	(4,033)
Release of reserves upon deemed disposal of a subsidiary	—	—	—	—	(177)	(184)	—	(361)
Profit for the period	—	—	—	—	—	—	108,143	108,143
At 30th June 2003	612,123	5,650,634	1,815	214,563	17,414	(77,074)	441,632	6,861,107
At 1st January 2002, as previously reported	400,829	4,889,860	1,815	175,985	84,405	(54,909)	1,032,553	6,530,538
Change in accounting policy - provision for net deferred tax liabilities (Note 1)	—	—	—	—	—	—	(282,000)	(282,000)
At 1st January 2002, as restated	400,829	4,889,860	1,815	175,985	84,405	(54,909)	750,553	6,248,538
Issue of shares net of issuing expenses	212	782	—	—	—	—	—	994
Exchange differences	—	—	—	—	—	(16)	—	(16)
Amortisation of negative goodwill previously written off against retained profits	—	—	—	—	—	—	(2,036)	(2,036)
Release of reserves upon deemed disposal of a subsidiary	—	—	—	—	(8)	(5)	—	(13)
Profit for the period	—	—	—	—	—	—	15,329	15,329
At 30th June 2002, as restated	401,041	4,890,642	1,815	175,985	84,397	(54,930)	763,846	6,262,796

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 2002 annual accounts.

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 2002 except that the Group has changed its accounting policy following its adoption of SSAP 12 (revised) “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

Under SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Under SSAP 12 (revised), the difference between the carrying amount of a revalued asset and its tax base is a temporary difference which gives rise to a deferred tax liability. Upon adoption of the SSAP 12 (revised) from 1st January 2003, the fair value of subsidiaries acquired and the associated negative goodwill arising from the acquisitions were adjusted accordingly.

Opening balance of negative goodwill at 1st January 2003 has been reduced by HK\$1,706 million and opening retained profits at 1st January 2002 and 2003 have been reduced by HK\$282 million and HK\$291 million respectively, which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st December 2002 by HK\$113 million and HK\$2,110 million, respectively. The profit and amount credited to equity for the six months ended 30th June 2003 have been increased by HK\$29 million and HK\$27 million respectively.

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 trading of newsprint, corrugated paper, cement and ready-mixed concrete (a discontinued operation as detailed in note below). 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:

- Properties - development, selling and management of properties and holding of investment properties
- Toll operations - development, operation and management of toll highways and bridges
- Paper - manufacturing and selling of newsprint and corrugated paper
- Cement - manufacturing and selling of cement and ready-mixed concrete (a discontinued operation).

Other operations of the Group mainly comprise investment holding and high technology business (a discontinued operation as detailed in note below), 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:

Hong Kong - properties and cement (a discontinued operation)

China - properties, paper, toll operations and cement (a discontinued operation)

Others - properties

There are no sales between the geographical segments.

NOTES TO CONDENSED INTERIM ACCOUNTS

2 Segment information (cont'd)

Primary reporting format - business segments

	Six month ended 30th June											
	Properties		Toll operations		Paper	Cement (Note)		Other operations		Group		
	2003	2002	2003	2002	2003	2002	(Discontinued operation)		2003	2002	2003	2002
	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	986,795	304,298	191,580	173,883	483,671	539,585	—	525,058	—	1,924	1,662,046	1,544,748
Segment results	222,592	29,918	86,897	87,166	20,283	35,345	—	71,020	6,455	(3,321)	336,227	220,128
Interest income											6,383	6,911
Unallocated operation costs											(19,309)	(16,067)
Loss on deemed disposal of a subsidiary											(62,998)	(2,261)
Finance costs											(112,819)	(85,973)
Share of profits/ (losses) of:												
Jointly controlled entities	—	(59)	(10,215)	(24,843)	—	—	—	6,109	—	—	(10,215)	(18,793)
Associated companies	(1,711)	4,972	87,441	68,202	—	—	—	—	—	(11,687)	85,730	61,487
Profit before taxation											222,999	165,432
Taxation											(38,881)	(37,189)
Profit after taxation											184,118	128,243
Minority interests											(75,975)	(112,914)
Profit attributable to shareholders											108,143	15,329

2 Segment information (cont'd)

Primary reporting format - business segments (cont'd)

Note:

On 20th December 2002, the Group completed the Very Substantial Acquisition as set out in the circular to shareholders dated 31st December 2001. The transaction involved the acquisition of the entire interest in Guangzhou Construction & Development Holdings (China) Limited and 49 per cent interest in Super Gain Development Limited, being a 51 per cent subsidiary prior to the acquisition, for a total consideration of approximately HK\$4,983 million (collectively the "Transaction"). For accounting purposes, the market price of the Company's shares as at the transaction date was used in the books of account for the Transaction and the consideration was accordingly recorded as HK\$4,544 million.

The consideration of the Transaction was satisfied as to (i) HK\$2,000 million in cash; (ii) HK\$970 million by way of allotment and issuance of 2,107,688,555 shares of the Company at HK\$0.46 each to Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), a substantial shareholder of the Company; and (iii) HK\$1,574 million by way of disposals of the Group's entire interests in China Century Cement International Limited ("Cement Sub-group"), 36.84 per cent effective interest in Jin Peng Group Company Limited ("Jin Peng"), 46.7 per cent effective interest in China Information Technology Industry Co. Ltd. ("China ITI") and assignment of shareholders' loan totalling HK\$886 million due from Cement Sub-group, Jin Peng and China ITI to Yue Xiu. The cement and high technology business segments therefore became discontinued operations.

For the six months ended 30th June 2002, turnover and segment results of Cement Sub-group were disclosed above. For the same period, Cement Sub-group'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 turnover, segment results and cash flows of Jin Peng and China ITI during the six months ended 30th June 2002 were not of a sufficient size to be disclosed separately.

Secondary reporting format - geographical segments

	Six months ended 30th June	
	Turnover	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong	58,800	260,915
China	1,602,627	1,282,420
Others	619	1,413
	<u>1,662,046</u>	<u>1,544,748</u>

3 Operating profit before provision for impairment

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Operating profit before provision for impairment is stated after crediting and charging the following:		
Crediting		
Amortisation of negative goodwill	109,007	—
Gain on partial disposal of a jointly controlled entity	—	6,240
Gain on disposal of fixed assets	821	—
	<u>109,828</u>	<u>6,240</u>
Charging		
Cost of inventories sold	1,078,675	944,863
Depreciation:		
Owned fixed assets	57,325	98,519
Leased fixed assets	13	238
Amortisation of interests in toll highways and bridges	38,959	37,874
Amortisation of development costs	—	318
Amortisation of goodwill	3,557	1,240
Loss on disposal of fixed assets	—	1,255
Staff costs		
Wages and salaries (including directors' remuneration)	66,131	91,344
Social security costs	4,827	5,927
Staff welfare	19,633	15,426
Pension costs - defined contribution plans	16,512	16,182
	<u>1,233,502</u>	<u>1,127,129</u>

4 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 17.5 per cent (2002: 16 per cent) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16 per cent to 17.5 per cent for the fiscal year 2003/2004. 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.
- (b) The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th June	
	2003 HK\$'000	As restated 2002 HK\$'000
Hong Kong profits tax	3,245	3,660
Overseas taxation		
- Current	58,580	24,780
- Overprovision in prior years	—	(4,500)
Deferred taxation in relation to the origination and reversal of temporary differences	(28,620)	5,692
	<u>33,205</u>	<u>29,632</u>
Share of taxation attributable to:		
Jointly controlled entities	761	1,059
Associated companies	4,915	6,498
	<u>38,881</u>	<u>37,189</u>

5 Dividend

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
2003 interim, proposed of HK\$0.008 (2002: nil) per share	49,257	—

6 Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$108,143,000 (2002: As restated HK\$15,329,000) and the weighted average number of 6,118,305,482 (2002: 4,009,989,359) ordinary shares in issue during the period.

The calculation of fully diluted earnings per share is based on 6,118,305,482 (2002: 4,009,989,359) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 52,880,490 (2002: 43,975,593) ordinary shares deemed to be issued at no consideration if all outstanding options have been exercised.

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. All outstanding convertible bonds of the Company were redeemed on 31st July 2003.

NOTES TO CONDENSED INTERIM ACCOUNTS

7 Capital expenditures

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total other intangible assets HK\$'000	Interests in toll highways and bridges HK\$'000	Fixed assets HK\$'000
Opening net book amount at 1st January 2003, as previously reported	218,226	(3,823,375)	(3,605,149)	2,217,197	5,075,206
Change in accounting policy - provision for net deferred tax liabilities (<i>Note 1</i>)	—	1,706,352	1,706,352	—	—
Opening net book amount at 1st January 2003, as restated	218,226	(2,117,023)	(1,898,797)	2,217,197	5,075,206
Exchange difference	—	—	—	10,409	22
Additions	—	—	—	8,025	47,505
Disposals	—	8,857	8,857	—	(18,068)
Depreciation/amortisation charge	(3,557)	109,007	105,450	(38,959)	(57,338)
Adjustments to the fair value of assets and liabilities acquired under the Transaction	—	116,519	116,519	—	—
Closing net book amount at 30th June 2003	<u>214,669</u>	<u>(1,882,640)</u>	<u>(1,667,971)</u>	<u>2,196,672</u>	<u>5,047,327</u>

8 Accounts receivable, prepayments 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:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Less than 30 days	293,388	230,547
31-90 days	139,219	116,392
Over 90 days	189,675	180,082
	<u>622,282</u>	<u>527,021</u>

9 Accounts payable and accrued charges

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

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Less than 30 days	40,072	47,156
31-90 days	71,330	74,341
Over 90 days	668,760	638,292
	<u>780,162</u>	<u>759,789</u>

10 Long-term liabilities

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Bank loans		
Unsecured	848,191	905,468
Secured		
- wholly repayable within five years	4,556,646	3,826,296
- not wholly repayable within five years	256	468
Obligations under finance leases	194	344
Loans from ultimate holding company	132,322	67,743
Loans from related companies	74,882	3,809
Loans from minority shareholders	159,961	169,301
Other loans	15,600	15,600
Convertible bonds	200,623	200,623
	<u>5,988,675</u>	<u>5,189,652</u>
Less: current portion of long-term liabilities	<u>(1,411,981)</u>	<u>(1,386,510)</u>
	<u><u>4,576,694</u></u>	<u><u>3,803,142</u></u>

At 30th June 2003, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Loans from ultimate holding company/ related companies/minority shareholders/other loans/finance leases/convertible bonds	
	30th June 2003 HK\$'000	31st December 2002 HK\$'000	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Within one year	1,211,184	1,185,583	200,797	200,927
In the second year	1,049,626	754,853	20	40
In the third to fifth year	3,144,027	2,791,328	131,291	67,743
After the fifth year	256	468	—	—
With no fixed repayment terms	—	—	251,474	188,710
	<u>5,405,093</u>	<u>4,732,232</u>	<u>583,582</u>	<u>457,420</u>

11 Share capital

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

	Ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 1st January 2002	4,008,293,667	400,829
Issue of shares	2,107,688,555	210,769
Exercise of share options	2,120,000	212
	<hr/>	<hr/>
At 31st December 2002	6,118,102,222	611,810
	<hr/>	<hr/>
At 1st January 2003	6,118,102,222	611,810
Exercise of share options	3,128,000	313
	<hr/>	<hr/>
At 30th June 2003	6,121,230,222	612,123
	<hr/>	<hr/>

During the period, share options were exercised to subscribe for 3,128,000 ordinary shares in the Company at a consideration of HK\$1,566,500, of which HK\$312,800 was credited to share capital and the balance of HK\$1,253,700 was credited to the share premium account.

12 Contingent liabilities

There is no material change in contingent liabilities since the last annual balance sheet date.

13 Commitments under operating leases

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Land and buildings		
Not later than one year	16,215	19,384
Later than one year and not later than five years	81,075	64,860
Later than five years	227,009	241,873
	<hr/>	<hr/>
	324,299	326,117
	<hr/>	<hr/>

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 2003, the Group had commitments amounted to HK\$522,849,000 (as at 31st December 2002: HK\$473,073,000) in respect of purchase of fixed assets and toll road and properties held for/under development which were contracted but not provided for.

15 Pledge of assets

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

16 Related party transactions

During the period, the Group carried out in the normal course of business the following material transactions with its related parties:

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Interest on convertible bonds paid to ultimate holding company	3,026	6,768
Loan interest paid to		
- related companies	2,299	2,760
- minority shareholders	—	779
Management fee to minority shareholders	—	2,460
Fixed rate management fee for toll highways paid and payable to a minority shareholder (<i>note a</i>)	29,850	25,657
Rental and utility expenses paid to a minority shareholder (<i>note a</i>)	8,107	—
	<u> </u>	<u> </u>

Note:

- (a) The related party transactions were conducted in accordance with the terms as disclosed in the 2002 annual report.

OTHER INFORMATION

Interests of Directors

As at 30th June 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows :

I. Long positions in shares of the Company and its subsidiary, GZI Transport Limited (“GZT”) :

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
The Company			
Mr Xie Shuwen	Personal	300,000	0.00
Mr Luo Guoqing *	Personal	10,000	0.00
Mr Wong Chi Keung	Personal	500,000	0.01
GZT			
Mr Xie Shuwen	Personal	410,000	0.04
Mr Liang Ningguang	Personal	1,388,000	0.13
Mr Wong Chi Keung	Personal	474,000	0.04
Ms Yan Yuk Fung	Personal	100,000	0.01

* Mr Luo Guoqing resigned as director of the Company with effect from 15th August 2003

II. Long positions in underlying shares of equity derivatives of the Company and GZT :

(1) The Company

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1st January 2003	granted during the period (b)	outstanding as at 30th June 2003
Mr Ou Bingchang	02/06/2003	0.5400	—	9,000,000	9,000,000
Mr Xie Shuwen	14/12/1999 (a)	0.5008	700,000	—	700,000
	02/06/2003	0.5400	—	8,000,000	8,000,000
Mr Chen Guangsong	02/06/2003	0.5400	—	8,000,000	8,000,000
Mr Li Fei	02/06/2003	0.5400	—	7,000,000	7,000,000
Mr Liang Ningguang	14/12/1999 (a)	0.5008	840,000	—	840,000 (c)
	02/06/2003	0.5400	—	7,000,000	7,000,000
Mr Xiao Boyan	14/12/1999 (a)	0.5008	700,000	—	700,000
	02/06/2003	0.5400	—	7,000,000	7,000,000
Mr Liang Yi	02/06/2003	0.5400	—	7,000,000	7,000,000
Mr Wong Chi Keung	14/12/1999 (a)	0.5008	700,000	—	700,000
Ms Yan Yuk Fung	14/12/1999 (a)	0.5008	800,000	—	800,000
	02/06/2003	0.5400	—	3,000,000	3,000,000
Mr Yu Lup Fat Joseph	02/06/2003	0.5400	—	3,500,000	3,500,000
Mr Lee Ka Lun	02/06/2003	0.5400	—	3,500,000	3,500,000

OTHER INFORMATION

Notes :

- (a) The share options are exercisable from 14th December 2000, 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.
- (b) The share options are exercisable from 2nd June 2003 to 1st June 2013, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent thereof are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant respectively.
- (c) These interests include options to subscribe for 140,000 shares in the Company held by his spouse.

(2) GZT

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options (a)			
			outstanding as at 1st January 2003	exercised during the period	weighted average closing price (b) HK\$	outstanding as at 30th June 2003
Mr Xie Shuwen	07/04/2000	0.7520	560,000	560,000	1.23	—
Mr Liang Ningguang	06/08/1997 (c)	2.4080	500,000	—	N/A	500,000
	22/12/1999	0.9984	8,130,000	8,130,000	1.28	—
Mr Xiao Boyan	06/08/1997 (c)	2.4080	500,000	—	N/A	500,000
Mr Yin Hui	06/08/1997 (c)	2.4080	600,000	—	N/A	600,000
	22/12/1999	0.9984	3,220,000	520,000	1.16	2,700,000
Mr Wong Chi Keung	07/04/2000	0.7520	316,000	316,000	1.24	—
Ms Yan Yuk Fung	07/04/2000	0.7520	450,000	—	N/A	450,000

Notes :

- (a) 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, 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 dates on which the options were exercised.
- (c) The share options were expired on 5th August 2003.

Save as disclosed herein, as at 30th June 2003, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

OTHER INFORMATION

Interests of Substantial Shareholders

As at 30th June 2003, the interests or short positions of the following shareholder in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to Section 336 of SFO :

Name	Long position in shares	Long position in underlying shares	Approximate aggregate % of interest
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	3,863,735,556	325,226,977	68.47

Notes :

- (a) The capacity of Yue Xiu in holding the 3,863,735,556 shares was, as to 65,676,184 shares, as beneficial owner and, as to 3,798,059,372 shares, attributable to interests of controlled corporations. Details of the breakdown of the shares held by Yue Xiu were as follows :

Name	Long position in shares
Yue Xiu	3,863,735,556
Excellence Enterprises Co., Ltd. ("Excellence")	3,797,629,372
Bosworth International Limited ("Bosworth")	2,902,927,212
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160
Yue Xiu Finance Company Limited ("YXF")	430,000

Notes:

- (i) 2,902,927,212 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.
- (vi) 430,000 shares were held by YXF, which was wholly-owned by Yue Xiu.
- (b) The capacity of Yue Xiu in holding the 325,226,977 underlying shares of unlisted physically settled equity derivatives of the Company (under the outstanding convertible bonds) was, as to 197,146,562 underlying shares, as beneficial owner and, as to 128,080,415 underlying shares, attributable to interest of a wholly-owned subsidiary, Yue Xiu International Development Limited.

Share Options

(i) The Company

Pursuant to the share option scheme (the “Share Option Scheme”) approved by shareholders of the Company on 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 Scheme is 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 of Hong Kong Limited (the “Stock Exchange”)’s daily quotation sheets for the five trading days immediately preceding 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 Scheme and the adoption of a new share option scheme (the “2002 Share Option Scheme”). Upon termination of the Share Option Scheme, 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 Scheme 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.

OTHER INFORMATION

Movements during the period of the options granted under the share option schemes of the Company to the employees of the Group other than the directors of the Company as disclosed on page 24 were as follows:

Number of share options								Weighted average closing price ⁽⁴⁾ HK\$
outstanding as at 1st January 2003	granted during the period	exercised during the period	outstanding as at 30th June 2003	Exercise price per share HK\$	Date of grant	Exercisable period		
70,000,000	—	—	70,000,000	0.3936	04/09/1998	04/09/1999 - 03/09/2004 ⁽²⁾	N/A	
46,514,000	—	3,128,000	43,386,000	0.5008	14/12/1999	14/12/2000 - 13/12/2005 ⁽²⁾	0.613	
—	196,250,000	—	196,250,000	0.4100	02/05/2003	02/05/2003 - 01/05/2013 ⁽³⁾	N/A	

Notes:

1. No options have been cancelled or lapsed during the period.
2. The options granted 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.
3. The options granted are exercisable in 3 tranches.
4. The weighted average closing price per share immediately before the dates on which the options were exercised.

The closing prices of the shares immediately before the dates on which the options were granted during the six months ended 30th June 2003 were as follows:

Date of grant	Closing price immediately before the date of grant
02/05/2003	HK\$0.41
02/06/2003	HK\$0.53

The Directors consider that it is inappropriate to value the share options granted during the six months ended 30th June 2003 as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to shareholders.

OTHER INFORMATION

(ii) GZT

Pursuant to the share option scheme (“GZT Scheme”) approved by shareholders of GZT on 3rd January 1997, the board of directors of GZT (the “GZT Board”) may, at their discretion, grant to directors and employees of GZT or any of its subsidiaries options to subscribe for ordinary shares in GZT. The GZT Scheme is designed to act as an incentive to employees and executives of GZT and its subsidiaries. The exercise price is determined by the GZT 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 as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer 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 25th June 2002, the shareholders of GZT approved the resolutions relating to the termination of the GZT Scheme and the adoption of a new share option scheme (the “2002 GZT Scheme”). Upon termination of the GZT Scheme, 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 GZT Scheme which are required to give effect to the outstanding share options continue to remain in force for such purpose. The 2002 GZT Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 GZT Scheme with terms and conditions same as those of 2002 Share Option Scheme, the GZT Board may grant to any person being an employee, officer, director, agent, consultant or representative of the Company, Yue Xiu, GZT or any of their respective subsidiaries options to subscribe for shares in GZT.

Movements during the period of the options granted under the GZT Scheme of to the employees of the Group other than the directors of the Company as disclosed on page 25 were as follows:

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period ⁽³⁾	Weighted average closing price ⁽⁴⁾ HK\$
outstanding as at 1st January 2003	exercised during the period	outstanding as at 30th June 2003				
21,900,000	—	21,900,000	2.4080	06/08/1997	06/08/1998 - 05/08/2003	N/A
23,418,000	13,438,000	9,980,000	0.7632	04/09/1998	04/09/1999 - 03/09/2004	1.688
19,346,000	12,916,000	6,430,000	0.9984	22/12/1999	22/12/2000 - 21/12/2005	1.254
10,538,000	6,596,000	3,942,000	0.7520	07/04/2000	07/04/2001 - 06/04/2006	1.516

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 of GZT immediately before the dates on which the options were exercised.

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 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Practice Note 19 of the Listing Rules

Reference was made to the US\$25 million term loan facility agreement dated 5th September 2001 ("2001 loan agreement") with a final maturity in September 2004, a HK\$2,630 million loan agreement dated 23rd September 2002 with a final maturity in December 2007, a HK\$100 million loan agreement dated 16th June 2003 with a final maturity in December 2005 and a HK\$300 million loan agreement dated 23rd June 2003 with a final maturity in June 2008. In accordance with the terms of the aforementioned agreements, it is an event of default if Yue Xiu ceases to own (directly or indirectly) at least (in the case of the 2001 loan agreement) 40 per cent or (in the case of the other three loan agreements) 30 per cent of the issued share capital of the Company. The obligation has been complied with.

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 2003 had been reviewed by the Audit Committee.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 29th October 2003 to Friday, 31st October 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Abacus Share Registrars Limited at G/E, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 28th October 2003.

By order of the Board

Ou Bingchang

Chairman

Hong Kong, 10th September 2003

Board of Directors

Executive directors

Ou Bingchang (*Chairman*)
Xie Shuwen
Chen Guangsong
Li Fei
Liang Ningguang
Xiao Boyan
Liang Yi
Yin Hui
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

Websites 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
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
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
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Location Map of Major Property Projects in Guangzhou Urban Area



- For rental
- For sale
- Future development
- Under development
- Local landmark