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FINANCIAL HIGHLIGHTS

	Six months ended 30th June	
	2004 HK\$'000	As restated 2003 HK\$'000
Turnover	2,266,266	1,662,046
Profit from operations	317,536	249,910
Share of profits / (losses) of		
Jointly controlled entities	2,000	(10,215)
Associated companies	104,275	85,730
Profit attributable to shareholders	131,205	105,520
Basic earnings per share	2.08 cents	1.72 cents
Fully diluted earnings per share	2.04 cents	1.71 cents
Interest coverage	7 times	3.50 times

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
	Total assets	24,876,741
Total liabilities (including minority interests)	17,823,823	18,628,997
Shareholders' funds	7,052,918	6,969,360
Net asset per share	HK\$1.12	HK\$1.12
Gearing ratio	43%	44%

BUSINESS REVIEW

During the first half of 2004, various businesses of the Group developed in a satisfactory manner. For the property business, sales of properties in the Mainland of China (“China”) and Hong Kong have been satisfactory. Both saleable area and sales amount continued to rise. Toll road business continued to grow steadily as a result of the surge in traffic flow of its expressways. Paper business has been benefited from the continuous boom in demand for newsprint in China, whilst sales of newsprint rose significantly.

Property business

Area of properties sold and leased by the Group continued to increase

During the period under review, the sales of properties amounted to HK\$1,108 million, with 150,278 sq. meters of the gross floor area sold, which was increased by 43 per cent and 13 per cent when compared with the same period in 2003, respectively. Of which, turnover from the sales of properties in China was HK\$751 million, with 142,535 sq. meters of the gross floor area sold, and was similar to the level for the same period in 2003. Major residential projects for sale included the first phase of Jiang Nan New Mansion, the first phase of Southern Le Sand in Nansha, Lingnan Garden, Galaxy City, Grandcity Garden, Run Hui Building, Romantic Garden, as well as the phase 1 of Binjiang Yiyuan and block 24 of Springland Garden recently launched into the market. The projects introduced into the market lately were well-received. Vacancy rate of the property projects was the lowest for the recent years. The Group’s property projects are of high quality. For example, Jiang Nan New Mansion near Sun Yat-Sen University in Haizhu District is located at the entrance of a metro station and is easily accessible. Binjiang Yiyuan is situated at the luxurious property district to the east of Binjiang, and is a rare second tier premium property project with river view. Galaxy City of Zhu Jiang Estate was awarded five major awards including the “Top Ten Brandname Community”. Luxurious property project such as Grandcity Garden in Er Sha Island was sold out. There was also strong demand for budget housing in Run Hui Building.

Upon the continuous recovery of the property market in Hong Kong during the first half of 2004, the Group capitalized on the momentum in the market, and launched the Pokfulam Terrace project in Pokfulam, Hong Kong during the period. Market response for this project had been encouraging. During the period, turnover from the sales of the Group’s properties in Hong Kong was HK\$333 million, with about 7,700 sq. meters of the gross floor area sold, which was derived from the residential property project in Pokfulam.

During the first half of this year, the rental income from properties in Hong Kong and Guangzhou amounted to HK\$203 million, which was increased by 44 per cent when compared with the same period in 2003. As Victory Plaza, Fortune Plaza and Xinchuangju Building were completed and commenced operation, area of properties leased by the Group rose 11 per cent to about 500,000 sq. meters. Other major rental projects include City Development Plaza, White Horse Commercial Building, Jin Han Building, Golden Arch Residence, Grandcity Commercial Plaza, Hong Fa Building, City Development Building and Guang Yuan Cultural Centre in Guangzhou, and Yue Xiu Plaza in Hong Kong. The rental portfolios are diversified in grades, locations and land use, and covered Grade A offices, prime shopping malls, shops in residential complexes and car parks and generate a steady rental income. Occupancy rate of the properties for leasing were increased partly as a result of comprehensive marketing research as well as superb operation and planning activities.

Substantial projects under construction and large land bank underpin development potentials in future

During the first half of this year, the gross floor area of the Group's properties under development amounted to 1,100,000 sq. meters, and was attributable to projects in China. This will underpin the Group's earnings in the coming few years. In addition, the Group's land bank held for medium term development in China as at the end of June this year has gross floor area of about 3,580,000 sq. meters. The land bank in the urban area mainly included the residential land in Haizhu District. As the Government has raised compensation for urban renewal projects in Guangzhou in the end of 2003, the supply of residential properties in urban areas will decrease in future. This will further increase the value of the Group's land bank in urban areas. The land bank mainly for residential purposes in Nansha is at the southeastern side of Nansha, which is a newly emerged industrial, logistics and hi-tech centre at the southern side of Guangzhou and in the centre of the Pearl River Delta. Upon completion of infrastructure facilities for auxiliary logistics purpose in the peripheral area included the Eastern Expressway, the Central Expressway, the light railway linking Panyu and Nansha, the Guangzhou Metro Line Number 4 and a new passenger terminal for routes serving between Nansha and Hong Kong successively within the next one to two years, traveling time from Nansha to major cities of the Pearl River Delta will be further reduced. 15,635 sq. meters of the first phase of Southern Le Sand, a residential project in Nansha, was sold in the first half of 2004. With Nansha commencing development in a substantial scale, numerous esteemed multinational companies will establish factories in Nansha. Additional development efforts will be put to Southern Le Sand, accelerating the development of the second phase to cater for the needs in the market.

Other businesses: Toll road earnings grew steadily while sales of newsprint business surged significantly

Notwithstanding the traffic diversion effect caused by the new roads on the toll road projects for the first half of 2004, traffic volume of Guangzhou Northern Second Ring Expressway grew rapidly by 135.8 per cent when compared with the same period last year. This, together with the booming economy of the Pearl River Delta Region, will accelerate the growth rate of private car ownership. This will in turn boost traffic volume for Humen Bridge, Guangzhou City Northern Ring Road and Shantou Bay Bridge. During the first half of 2004, GZI Transport Limited, the toll road subsidiary of the Company, recorded a 22 per cent increase in profit attributable to shareholders of HK\$129 million when compared with the same period in 2003.

Guangzhou Paper Co., Ltd. ("Guangzhou Paper") continued to maintain bigger market shares in the domestically produced newsprint market. During the first half of this year, boom in demand for newsprint in China continued. Through implementation of measures such as exploring underutilized resources and strengthening management, improvement in production techniques, extensive downsizing and reduction of finance costs by early repayment of bank loans, 150,506 tonnes of newsprint was sold by Guangzhou Paper during the period, which was increased by 23 per cent when compared with the same period in 2003. Notwithstanding the fall in selling price of newsprint by 2.8 per cent to RMB3,922 per tonne for the first half of the year as a result of intense competition in the market as well as substantial increase in the cost of raw materials in China during this year, profit attributable to shareholders was HK\$19 million, representing a considerably high rate of increase when compared with the same period last year. Looking forward for the full year, the Group expects the competition in the newsprint market will be intense in China. However, demand for newsprint in the market will still be high. With the price of paper in the international market becoming steady, price of newsprint in China will recover and increase in the second half of 2004.

Future strategies and prospects

GNP of Guangzhou grew 16.4 per cent for the first half of 2004, which was highest for the last nine years. Coupled with growing urbanization, expansion of the middle class and upgrading needs, sales of residential properties in Guangzhou has been continuously rising over the past few years. During the first half of 2004, the sales of properties in the primary market of the eight districts in Guangzhou increased by 37.4 per cent to 3.94 million sq. meters, whilst the supply of properties in the primary market of the eight districts in Guangzhou for the same period was about 3.03 million sq. meters, evidencing substantial fall in inventory. At the same time, most of the purchasers were from end users with few from investors. Rational demand has been driving steady development of the whole market. During the first half of 2004, the price of properties in the primary market of the urban area in Guangzhou mildly surged for about 6.3 per cent. The transactions in the secondary market of the eight districts in Guangzhou were also active. Area sold through the secondary market during the period increased by 35.6 per cent when compared with the same period in 2003. It is believed by the Group that the austerity measures being implemented in China and the adjustment in credit policies will result in the development of property market in a healthier and more regulated manner. Meanwhile, the auction of the land use right as a market-oriented mechanism will lift the entry barrier to the property industry, where the competition environment in future will be more favourable to major developers.

The Group's competence as to its brand name, integrity and funding has been ranked equivalent to a premier property developer, and is also a well known property brand name in Guangzhou market, which has over 20 years of experience in property development. It has related ancillary companies such as property agency and property management, and has sound financial position. It 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 estate in Guangzhou" in 2001, one of the "Ten most popular developers" in Guangzhou in 2002, and the "Enterprise which respects contracts and keeps promises" award for the last ten consecutive years. In 2003, it was ranked the first for the "150 most credit-worthy enterprises in Guangzhou", the second for the "Top ten of the most competitive real estate enterprises in Guangzhou", "Top twenty Credible real estate enterprises in Guangdong Province" for the third consecutive year and the "Top ten real estate enterprises with brand names most beloved by Guangzhou citizens".

To capitalize on the excellent brand name of Guangzhou City Construction & Development Holdings, the positioning of the Group's property business will focus on the development of medium-priced residential properties in Guangzhou 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 purpose. Priority will also be given to the land bank in urban area for development and the land bank in suburban area will be retained for medium term development. This will optimally reflect the potential value of our land bank and the possibility in value appreciation.

The Group believes investment in expressway projects in the centre of the Pearl River Delta will underpin future growth potential of the Group's toll road investment portfolio. Guangzhou Western Second Ring Expressway, a project recently invested will commence construction in September 2004. It is expected construction will be completed in three years for commissioning operation. Investment in Guangzhou Eastern Second Ring Expressway and Guangming Expressway situated in the Pearl River Delta centre are now being studied.

Looking ahead, economic environment in the Pearl River Delta is very favourable. Upon gradual finalization of the Pan-Pearl River Delta and implementation of the Closer Economic Partnership Arrangement (CEPA) signed between Hong Kong and China, integrated development among the Pearl River Delta, Guangzhou and Hong Kong will be further speeded up. In addition, the Guangdong Province is going through a second industrialization which will expedite the economic development of Guangdong. Household registration policy in the Guangdong Province will also be adjusted. Citizens from other provinces, who have stayed for long period and have a fixed residential address will be able to move their household registration to the actual residential address within the Guangdong Province. This new policy is expected to increase property demand substantially. Sales of properties will be driven up by an increase in demand, a fall in inventory and further reduction in supply of new projects to the market. The Group's businesses based in Guangzhou will become major beneficiaries under the above-mentioned developments. The Group will continue to enhance the competitiveness of its businesses under such an ever-changing operating environment, so as to generate greater return in investment for its shareholders.

FINANCIAL REVIEW

Analysis of results

During the six months ended 30th June 2004, the Group's turnover rose sharply by 36 per cent to HK\$2,266,266,000. Despite the turnover from toll business slightly decreased, the other two core businesses, property and newsprint, had all recorded remarkable growth.

Same as last year, approximately 60 per cent of the turnover was contributed from the property sales and rental income.

For the Group's property business, overall turnover had soared by 41 per cent despite that the property sales in China remained steady as compared to the first half of last year. Favouring the recovery of property market in Hong Kong, Pokfulam Terrace reaped a good response when it was launched to the market early this year and contributed HK\$332,862,000 sales revenue in the first half of 2004. On the other hand, following the completion and launch of certain premier office and commercial buildings to the market during 2004, overall rental income generated from China increased by 71 per cent to HK\$145,798,000. For the Group's toll road business, despite Xian Expressway being positively affected by its linkage with the Xian City Express Highway, the overall turnover fell by 4.3 per cent to HK\$183,258,000 due to the formation of new highway network which negatively affected the traffic volume of some major subsidiary toll roads. For the Group's newsprint business in China, despite a slight decrease in sales price, sales revenue in the first half of 2004 recorded a growth of 16 per cent compared with same period of last year due to rising demand in newsprint market.

Compared with same period of 2003, the Group's gross profit grew by 14 per cent to HK\$563,698,000 this year, of which property and newsprint businesses rose by 21 per cent and 32 per cent respectively. The management is committed to continuously implementing stringent cost control to ensure that overall costs are maintained at lower level.

Selling expenses remained comparable to that for the first half of last year.

Administrative expenses had increased by 13 per cent to HK\$192,789,000. The major reason was due to the full six months contribution of supermarket operation acquired in October 2003.

For the first half of the year, the Group's overall finance costs amounted to HK\$75,463,000, representing a decrease of 33 per cent compared with same period of last year. Finance costs incurred by the three core businesses had all been dropped as a result of the Group's repayment of its bank borrowings and debts during the period.

The increase in the Group's share of profit of associated companies was mainly attributable to toll road business which shown a 18.5 per cent increase. Except for Qinglian Highways which had a negative contribution, the other associated companies' toll projects such as Humen Bridge, the Guangzhou City Northern Ring Road and Shantou Bay Bridge, had all recorded positive growth for the six months ended 30th June 2004.

The Group's major share of profit in a jointly controlled entity, which invested in Guangzhou Northern Second Ring Expressway, with a continuous strong traffic volume growth of 135.8 per cent in the first half of 2004, recovered from a loss position to positive contribution to the Group of HK\$2,000,000 since its operation commenced in 2002.

The three core businesses had all recorded a growth in profit before taxation as compared to the same period of last year, the Group's consolidated profit before taxation rose substantially by 64 per cent to HK\$348,348,000. Taxation has accordingly increased by 124 per cent to HK\$84,483,000 as compared to the same period of last year in line with the growth in profit before taxation.

Minority interests rose by 91 per cent due to the growth in profit from both the property and newsprint businesses.

Given the above, during the six months ended 30th June 2004, the Group achieved an increase of 24 per cent in profit attributable to shareholders to HK\$131,205,000 as compared to the same period of last year. Basic earnings per share were HK2.08 cents, representing an increase of 21 per cent compared to the same period of last year.

Interim dividend

The Board of Directors has resolved to declare an interim dividend for 2004 of HK\$0.0083 (2003: HK\$0.008) per share payable on 8th November 2004 to shareholders whose names appear on the register of members on 21st October 2004. Interim dividend pay out ratio will be 40 per cent.

Earnings per share

	Six months ended 30th June	
	2004	As restated 2003
Weighted average number of shares in issue	6,300,120,794	6,118,305,482
Profit attributable to shareholders (HK\$)	131,205,000	105,520,000
Basic earnings per share (HK cents)	2.08	1.72
Fully diluted earnings per share (HK cents)	2.04	1.71

73,690,000 shares were issued upon exercise of share options during the six months ended 30th June 2004. Total issued shares outstanding as at 30th June 2004 was 6,322,407,914 shares.

Analysis of cash flows

In the first half of 2004, net cash inflow from operating activities amounted to HK\$744 million (2003: HK\$244 million), the increment was mainly contributed by the Group's property and newsprint businesses. Sales of Pokfulam Terrace in Hong Kong generated net cash inflow of approximately HK\$305 million during the period. Net cash outflow from investing activities amounted to HK\$129 million (2003: HK\$52 million) which mainly represents the Group's capital expenditure and investments for the period. Net cash outflow from financing activities amounted to HK\$684 million (2003: HK\$58 million) which mainly arose from repayment of bank loans, payment of dividends and repayment to minority shareholders.

Liquidity and capital resources

The Group continues to maintain a stable liquidity position. As at 30th June 2004, the Group had bank deposits, cash and bank balances of approximately HK\$992 million (2003: HK\$1,075 million). Same as last year, the majority of the bank balances and cash were RMB dollars deposits and cash.

As at 30th June 2004, the Group had outstanding bank borrowings excluding bank overdrafts ("Bank Borrowings") of approximately HK\$5,696 million (2003: HK\$6,038 million) representing a decrease of 6 per cent compared with 31st December 2003. Approximately 50 per cent of Bank Borrowings was denominated in HK dollars, 48 per cent in RMB and 2 per cent in US dollars.

The management believes that the steady inflow of RMB, HK dollars and US dollars funds generated and/or repatriated from the enlarged 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.

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

Repayable within	HK\$'000
One year	2,321,816
One to two years	1,167,698
Two to five years	2,206,983
Total	5,696,497

Approximately 41 per cent of the Bank Borrowings will be repayable within one year, of which 72 per cent is contributed to RMB loans. Approximately 82 per cent of the Bank Borrowings were related to property projects and were secured by part of the Group's property portfolio.

Given its improved financial position subsequent to the business restructuring at the end of 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.

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. The Group is exploring the feasibility of increasing the ratio of HK dollar bank borrowing as supplementary funds. The Hong Kong dollar loan market may offer unexploited potential currently due to low interest rate, longer maturity and flexible features such as interest rate swap.

Capital expenditures

For the six months ended 30th June 2004, the Group had aggregate capital expenditures totalling HK\$82.2 million for the initial equity capital contribution to a new investment project, Guangzhou Western Second Ring Expressway ("GWSR Expressway"). Capital expenditures incurred on the purchase of fixed assets amounted to approximately HK\$35 million.

Capital and other commitments

On 24th May 2004, the Group's subsidiary, GZI Transport Limited, had entered into a joint venture agreement to establish GWSR Expressway Company Limited for a shareholding of 35.0 per cent. As at 30th June 2004, the outstanding committed equity capital contribution of the Group was HK\$247.99 million.

Contingent liabilities

There were no significant contingent liabilities as at 30th June 2004.

Capital structure

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

	30th June 2004		31st December 2003	
	HK\$'000	%	HK\$'000	%
Bank Borrowings (floating rates)				
Denominated in RMB	2,718,060	20	2,687,883	20
Denominated in US dollars	125,067	1	125,067	1
Denominated in HK dollars	2,853,370	22	3,225,383	23
Total Bank Borrowings	5,696,497	43	6,038,333	44
Shareholders' Funds plus Negative Goodwill	7,612,071	57	7,545,066	56
Total Capitalization	13,308,568	100	13,583,399	100
Gearing Ratio		43%		44%

The Group's capital structure remains at a similar level as compared to the end of 2003.

Interest coverage

Interest coverage was 7 times (30th June 2003: 3.5 times) in the first half of 2004 measuring on the operating profit after share of profit less losses of associated companies and jointly controlled entities and adjusted for non-cash items. The remarkable improvement was due to the increase in profit from operation after share of profit less losses of associated companies and jointly controlled entities, together with the decline in interest expenses by 33 per cent as compared to the same period of last year.

Employees

As at 30th June 2004, the Group had approximately 6,850 employees, of whom approximately 6,750 employees were primarily engaging in the properties, toll roads and newsprint 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 2004

		(Unaudited)	
		Six months ended 30th June	
	Note	2004 HK\$'000	As restated 2003 HK\$'000
Turnover	2	2,266,266	1,662,046
Cost of sales		(1,702,568)	(1,168,644)
Gross profit		563,698	493,402
Other revenues		9,795	53,496
Selling and distribution expenses		(63,168)	(63,664)
General and administrative expenses		(192,789)	(170,326)
Loss on deemed disposal of certain interests in a subsidiary		—	(62,998)
Profit from operations	3	317,536	249,910
Finance costs		(75,463)	(112,819)
Share of profits less losses of			
- Jointly controlled entities		2,000	(10,215)
- Associated companies		104,275	85,730
Profit before taxation		348,348	212,606
Taxation	4	(84,483)	(37,741)
Profit after taxation		263,865	174,865
Minority interests		(132,660)	(69,345)
Profit attributable to shareholders		131,205	105,520
Interim dividend	5	52,531	49,257
Earnings per share	6		
Basic		2.08 cents	1.72 cents
Fully diluted		2.04 cents	1.71 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2004 and 31st December 2003

	Note	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Interests in toll highways and bridges	7	<u>2,049,036</u>	<u>2,099,647</u>
Other intangible assets	7	<u>(520,290)</u>	<u>(535,253)</u>
Fixed assets	7	<u>6,187,482</u>	<u>6,251,082</u>
Deferred tax assets	13	<u>30,861</u>	<u>39,061</u>
Interests in jointly controlled entities		458,639	704,044
Interests in associated companies		1,700,912	1,659,568
Other investments		256,071	259,851
		<u>2,415,622</u>	<u>2,623,463</u>
Current assets			
Properties held for/under development		9,812,654	10,244,614
Properties held for sale		2,560,282	2,455,354
Inventories		214,959	220,127
Due from related companies		3,493	3,678
Accounts receivable, prepayments and deposits	8	1,130,650	1,121,290
Bank balances and cash		991,992	1,075,294
		<u>14,714,030</u>	<u>15,120,357</u>
Current liabilities			
Accounts payable and accrued charges	9	4,020,966	4,351,238
Due to minority shareholders of subsidiaries		150,857	179,135
Bank loans			
- secured		864,860	838,692
- unsecured		654,519	681,797
Bank overdrafts-unsecured		25,378	39,486
Current portion of long-term bank loans	10	802,437	875,394
Current portion of other long-term loans	11	26	14
Taxation payable		92,158	42,906
		<u>6,611,201</u>	<u>7,008,662</u>
Net current assets		<u>8,102,829</u>	<u>8,111,695</u>
Total assets less current liabilities		<u>18,265,540</u>	<u>18,589,695</u>
Financed by:			
Share capital	12	632,241	624,872
Reserves		6,368,146	6,344,488
Proposed interim dividend		52,531	—
Shareholders' funds		<u>7,052,918</u>	<u>6,969,360</u>
Minority interests		3,759,586	3,778,308
Non-current liabilities			
Long-term bank loans	10	3,374,681	3,642,450
Other long-term loans	11	438,595	549,041
Deferred tax liabilities	13	3,639,760	3,650,536
		<u>18,265,540</u>	<u>18,589,695</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2004

	(Unaudited)	
	Six months ended 30th June	
	2004	2003
	HK\$000	HK\$000
Net cash inflow from operating activities	743,708	243,567
Net cash outflow from investing activities	(128,625)	(51,591)
Net cash outflow from financing activities	(684,277)	(58,078)
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(69,194)	133,898
Cash and cash equivalents at 1st January	1,035,808	1,045,335
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	966,614	1,179,233
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	991,992	1,201,321
Bank overdrafts	(25,378)	(22,088)
	<hr/>	<hr/>
	966,614	1,179,233
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2004

	(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 2004	624,872	5,707,378	1,815	180,971	62,606	(76,709)	468,427	6,969,360
Issue of shares net of issuing expenses	7,369	22,536	—	—	—	—	—	29,905
Exchange differences	—	—	—	—	—	(496)	—	(496)
Transfers	—	—	—	—	260	—	(260)	—
Release of reserve upon disposal of properties held for/under development and properties held for sales	—	—	—	—	—	—	(8,933)	(8,933)
Profit attributable to shareholders	—	—	—	—	—	—	131,205	131,205
2003 final dividend	—	—	—	—	—	—	(68,123)	(68,123)
At 30th June 2004	<u>632,241</u>	<u>5,729,914</u>	<u>1,815</u>	<u>180,971</u>	<u>62,866</u>	<u>(77,205)</u>	<u>522,316</u>	<u>7,052,918</u>
At 1st January 2003	611,810	5,649,409	1,815	180,971	49,841	(80,183)	296,384	6,710,047
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
Release of reserve upon disposal of properties held for/under development and properties held for sales	—	—	—	—	—	—	(4,033)	(4,033)
Release of goodwill upon deemed disposal of a subsidiary	—	—	—	—	(177)	(184)	—	(361)
Profit attributable to shareholders	—	—	—	—	—	—	105,520	105,520
At 30th June 2003	<u>612,123</u>	<u>5,650,634</u>	<u>1,815</u>	<u>214,563</u>	<u>17,414</u>	<u>(77,074)</u>	<u>423,024</u>	<u>6,842,499</u>

1 Basis of preparation and accounting policies

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

These condensed consolidated interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

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 and corrugated paper. Turnover and segment results for the period are as follows:

Primary reporting format - business segments

The Group operates mainly in Hong Kong and the Mainland of China ("China") and in three 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

Other operations of the Group mainly comprise investment holding and supermarket operations, neither of which are of a sufficient size to be reported separately.

There are no significant sales between the business segments.

Secondary reporting format - geographical segments

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

Hong Kong - properties

China - properties, paper and toll operations

Others - properties

There are no significant sales between the geographical segments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

2 Segment information (cont'd)

Primary reporting format - business segments

	Six months ended 30th June									
	Properties		Toll operations		Paper		Other operations		Group	
	As restated		As restated						As restated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,396,165	986,795	183,258	191,580	562,857	483,671	123,986	—	2,266,266	1,662,046
Segment results	212,433	220,278	70,925	78,818	52,493	20,283	2,312	6,455	338,163	325,834
Interest income									3,077	6,383
Unallocated operation costs									(23,704)	(19,309)
Loss on deemed disposal of certain interests in a subsidiary									—	(62,998)
Finance costs									(75,463)	(112,819)
Share of profits less losses of:										
- Jointly controlled entities			2,000	(10,215)					2,000	(10,215)
- Associated companies	935	(1,711)	103,340	87,441					104,275	85,730
Profit before taxation									348,348	212,606
Taxation									(84,483)	(37,741)
Profit after taxation									263,865	174,865
Minority interests									(132,660)	(69,345)
Profit attributable to shareholders									131,205	105,520

2 Segment information (cont'd)

Secondary reporting format - geographical segments

	Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Turnover		
- Hong Kong	392,883	58,800
- China	1,848,514	1,602,627
- Others	24,869	619
	2,266,266	1,662,046
	2,266,266	1,662,046

3 Profit from operations

Profit from operations is stated after crediting and charging the following:

	Six months ended 30th June	
	2004 HK\$'000	As restated 2003 HK\$'000
Crediting		
Amortisation of negative goodwill		
- included in cost of sales	13,073	99,335
- included in administrative expenses	3,480	9,672
Gain on disposal of fixed assets	523	821
	17,076	109,828
	17,076	109,828
Charging		
Cost of inventories sold	1,496,836	1,078,675
Depreciation:		
- Owned fixed assets	68,966	57,325
- Leased fixed assets	13	13
Amortisation/depreciation of interests in toll highways and bridges	50,696	47,985
Amortisation of goodwill (included in administrative expenses)	4,966	4,966
Staff costs		
- Wages and salaries (including directors' remuneration)	93,198	66,131
- Social security costs	8,093	4,827
- Staff welfare	9,051	5,952
- Pension costs - defined contribution plans	7,545	6,070
	1,678,230	1,207,878
	1,678,230	1,207,878

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

4 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 17.5 per cent on the estimated assessable profit for the period.
- (b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated companies and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law") at 18 per cent to 33 per cent. Under the China Tax Law, certain of the Group's subsidiaries, associated companies and jointly controlled entities in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years.
- (c) China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditure.
- (d) The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th June	
	2004 HK\$'000	As restated 2003 HK\$'000
Current taxation		
- Hong Kong profits tax	1,086	3,245
- China enterprise income tax	60,531	58,580
- China land appreciation tax	8,695	—
Deferred taxation in relation to the origination and reversal of temporary differences	(509)	(29,760)
	69,803	32,065
Share of taxation attributable to:		
- Jointly controlled entities	1,748	761
- Associated companies	12,932	4,915
Taxation charges	84,483	37,741

5 Dividend

	Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
2004 interim, proposed of HK\$0.0083 (2003: HK\$0.008) per share	52,531	49,257

6 Earnings per share

The calculation of basic earnings per share for the period ended 30th June 2004 is based on the consolidated profit attributable to shareholders of approximately HK\$131,205,000 (2003: HK\$105,520,000) and the weighted average number of approximately 6,300,120,794 shares (2003: 6,118,305,482 shares) in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th June 2004 is based on the consolidated profit attributable to shareholders of approximately HK\$131,205,000 (2003: HK\$105,520,000) and the diluted weighted average number of approximately 6,431,511,000 shares (2003: 6,171,185,972 shares) in issue during the period after adjusting for the potential dilutive effect in respect of outstanding share options.

7 Capital expenditure

	Other intangible assets			Interests in toll highways and bridges				
	Goodwill on acquisition of associated companies and a jointly controlled entity	Negative goodwill on acquisition of subsidiaries		Total	Intangible operating rights	Tangible infrastructure	Total	Fixed assets
		Goodwill on acquisition of subsidiaries	(575,706)					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book value at 1st January 2004	169,384	40,453	(575,706)	(535,253)	1,750,864	348,783	2,099,647	6,251,082
Exchange difference	—	—	—	—	85	—	85	—
Additions	—	—	—	—	—	—	—	35,419
Disposals	—	—	—	—	—	—	—	(30,040)
Depreciation/amortisation for the period	(3,376)	(1,590)	16,553	14,963	(44,472)	(6,224)	(50,696)	(68,979)
Closing net book value at 30th June 2004	<u>166,008</u>	<u>38,863</u>	<u>(559,153)</u>	<u>(520,290)</u>	<u>1,706,477</u>	<u>342,559</u>	<u>2,049,036</u>	<u>6,187,482</u>

8 Accounts receivable, prepayments and deposits

	30th June 2004	31st December 2003
	HK\$'000	HK\$'000
Trade receivables	592,213	667,094
Other receivables, prepayment and deposits	538,437	454,196
	<u>1,130,650</u>	<u>1,121,290</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

8 Accounts receivable, prepayments and deposits (cont'd)

The Group has defined credit policies for different business segments and markets. The credit terms of the Group are generally within three months. The ageing analysis of the trade receivables is as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
0 - 30 days	166,056	213,938
31 - 90 days	185,511	249,337
91 - 180 days	55,428	48,372
181 - 365 days	117,707	89,711
Over 1 year	67,511	65,736
	592,213	667,094

9 Accounts payable and accrued charges

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Trade payables	1,087,407	1,155,900
Other payables and accrued charges	2,933,559	3,195,338
	4,020,966	4,351,238

The ageing analysis of the trade payables is as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
0 - 30 days	84,495	75,453
31 - 90 days	10,589	16,247
91 - 180 days	30,574	40,828
181 - 365 days	36,050	62,674
1 - 2 year	701,490	713,425
Over 2 years	224,209	247,273
	1,087,407	1,155,900

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

10 Long-term bank loans

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Bank loans		
- Unsecured	764,966	669,650
- Secured	3,412,152	3,848,194
	4,177,118	4,517,844
Less: current portion of long-term bank loans	(802,437)	(875,394)
	3,374,681	3,642,450

Long-term bank loans are repayable over the following periods:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within one year	802,437	875,394
In the second year	1,167,698	878,627
In the third to fifth year	2,206,983	2,763,823
	4,177,118	4,517,844

11 Other long-term loans

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Obligations under finance leases	86	43
Loans from a shareholder	199,932	230,661
Loans from related companies	141,209	144,817
Loans from minority shareholders of subsidiaries	81,794	157,934
Other loans	15,600	15,600
	438,621	549,055
Less: current portion of other long-term loans	(26)	(14)
	438,595	549,041

11 Other long-term loans (cont'd)

Other long-term loans are repayable over the following periods:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within one year	26	14
In the second year	26	29
In the third to fifth year	199,956	220,595
With no fixed repayment terms	238,613	328,417
	438,621	549,055

12 Share capital

	Company	
	Number of shares	
	'000	HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	10,000,000	1,000,000
Issued and fully paid:		
At 1st January 2003	6,118,102	611,810
Issue of shares upon exercise of share options	99,230	9,923
Issue of shares for acquisition of subsidiaries	31,386	3,139
At 31st December 2003	6,248,718	624,872
At 1st January 2004	6,248,718	624,872
Issue of shares upon exercise of share options	73,690	7,369
At 30th June 2004	6,322,408	632,241

During the period, share options were exercised to subscribe for 73,690,000 ordinary shares in the Company at a consideration of HK\$29,905,000, of which HK\$7,369,000 was credited to share capital and the balance of HK\$22,536,000 was credited to the share premium reserve.

13 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using the applicable income tax rate.

Deferred taxation as at 30th June 2004 and 31st December 2003 represents:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Deferred tax assets		
- Hong Kong profits tax	8,924	12,712
- China enterprise income tax	21,937	26,349
	30,861	39,061
Deferred tax liabilities		
- Hong Kong profits tax	19,079	19,449
- China enterprise income tax	1,503,427	1,506,745
- China land appreciation tax	2,117,254	2,124,342
	3,639,760	3,650,536

14 Contingent liabilities

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

15 Commitments under operating leases

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Land and buildings		
Not later than one year	31,591	31,591
Later than one year and not later than five years	85,560	85,560
Later than five years	218,927	254,977
	336,078	372,128

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

16 Other commitments

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Commitments in respect of fixed assets:		
Contracted but not provided for	—	16,755
Authorised but not contracted for	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>16,755</u>
Commitments in respect of capital injection to a jointly controlled entity:		
Contracted but not provided for	247,990	—
Authorised but not contracted for	—	—
	<u>—</u>	<u>—</u>
	<u>247,990</u>	<u>—</u>

17 Pledge of assets

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

18 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	
	2004 HK\$'000	2003 HK\$'000
Rental income received from a related company	60	60
Rental expenses paid to a shareholder	528	528
Interest on convertible bonds paid to a shareholder	—	3,026
Loan interest paid to		
- related companies	472	2,299
- a shareholder	1,521	—
Fixed rate management fee for toll highways paid and payable to a minority shareholder (<i>note a</i>)	25,692	29,850
Rental and utility expenses paid to a minority shareholder (<i>note b</i>)	92,016	93,068
	<u>92,016</u>	<u>93,068</u>

Note:

- (a) Management agreements in respect of toll roads management fees were entered into between Guangzhou Highways Development Company ("GHDC"), a minority shareholder of subsidiaries, and certain subsidiaries engaging in the operation of toll highways in China, whereby GHDC carries out the day-to-day routine operational and maintenance services of the Guangshan Highway, Guangshen Highway, Guangcong Highway Section I and II, Provincial Highway 1909 and Guanghua Highway respectively including collection of toll charges and repairs and maintenance in return for a fixed sum to be predetermined annually.
- (b) The related party transactions were conducted in accordance with the terms as disclosed in the Group's 2003 annual report.

Advance to Entity

The advance made by the Group to the following entity exceeded 8.0 per cent of the Market Capitalisation (note 5) as at 30th June 2004 and are required to be disclosed under Rule 13.20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as follows:

Name of the Entity	Percentage of indirect attributable interest held by the Company	Advances as at 30th June 2004 <i>(Note 1)</i>		Interest rate	Total (A + B) HK\$ million
		Interest bearing (A) HK\$ million	Non-interest bearing (B) HK\$ million		
Guangdong Humen Bridge Co., Ltd.	8.59	570.3	—	<i>(Note 2)</i>	570.3

Financial Assistance to Affiliated Companies

The financial assistance provided by the Group to the affiliated companies of the Company which in aggregate exceeded 8.0 per cent of the Market Capitalisation (note 5) as at 30th June 2004 (the "Relevant Affiliated Companies") and are required to be disclosed under Rule 13.22 of the Listing Rules as follows:

Name of affiliated companies	Percentage of indirect attributable interest held by the Company	Advances as at 30th June 2004 <i>(Note 1)</i>		Interest rate	Total (A + B) HK\$ million
		Interest bearing (A) HK\$ million	Non-interest bearing (B) HK\$ million		
Guangdong Humen Bridge Co., Ltd.	8.59	570.3	—	<i>(Note 2)</i>	570.3
Guangdong Qinglian Highway Development Co., Ltd.	8.10	—	219.0	—	219.0
Guangdong Shantou Bay Bridge Co., Ltd.	10.30	60.3	—	<i>(Note 3)</i>	60.3
Hainan China City Property Development Co. Ltd.	31.20	—	48.3	—	48.3
Guangdong Xinshidai Real Estate Ltd.	45.00	—	10.1	—	10.1
Guangzhou Charkwang Real Estate Co., Ltd.	65.00	—	2.1	—	2.1
Zhoushan Xinyuan Real Estate Development Co., Ltd.	38.00	—	2.6	—	2.6
Total <i>(Note 4)</i>		<u>630.6</u>	<u>282.10</u>		<u>912.70</u>

Notes:

- (1) The advances were shareholders' loans representing part of the investment costs injected by the Group in proportion to the Group's equity interest in such entity and affiliated companies. These advances are unsecured and have no fixed term of repayment. There were no committed capital injections nor guarantees given to or for the above entity and affiliated companies.
- (2) Of these interest-bearing advances, approximately HK\$455.5 million was charged at US prime rate; approximately HK\$114.7 million was charged at lending rates of financial institutions in China; and the remaining balance was charged at Hong Kong prime rate.
- (3) Of these interest-bearing advances, approximately HK\$26.0 million was charged at Hong Kong prime rate; and approximately HK\$34.3 million was charged at lending rates of financial institutions in China.
- (4) The total amount of financial assistance provided by the Group to the affiliated companies of the Company exceeded 8 per cent of the Market Capitalisation.
- (5) Market Capitalisation means the market capitalisation of the Company as at 30th June 2004 amounting to HK\$4,058,985,881 based on the total number of 6,322,407,914 shares of the Company in issue on 30th June 2004 and average closing price of HK\$0.642 per share for the five business days immediately preceding 30th June 2004.

Pro Forma Combined Balance Sheet of Affiliated Companies

In accordance with Rule 13.22 of the Listing Rules, a pro forma combined balance sheet of the Company's Relevant Affiliated Companies as at 30th June 2004 and the Group's attributable interest therein are set out below:

	HK\$'000
Long term assets	6,148,207
Current assets	483,083
Current liabilities	(135,741)
Long term liabilities	(4,425,657)
	2,069,892
Net assets	2,069,892
	HK\$'000
Attributable interest to the Group	
Net assets	492,874
Shareholder's loans receivable	912,784
	1,405,658
	1,405,658

Disclosures Pursuant to Rule 13.21 of the Listing Rules

Reference was made to a term loan facility agreement dated 5th September 2001 ("2001 loan agreement") and an agreement supplemental to the 2001 loan agreement dated 7th September 2004 in respect of an extension of the final maturity to September 2005 for the outstanding principal amount of US\$15,000,000, 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.

OTHER INFORMATION

Interests of Directors

As at 30th June 2004, 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 Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were as follows:

1. 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 Liang Ningguang	Personal	400,000	0.01
Mr Xiao Boyan	Personal	500,000	0.01
Mr Wong Chi Keung	Personal	1,200,000	0.02
Mr Lee Ka Lun	Personal	1,050,000	0.02
GZT			
Mr Wong Chi Keung	Personal	474,000	0.04

2. Long positions in underlying shares of equity derivatives of the Company:

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1st January 2004	exercised during the period	outstanding as at 30th June 2004
Mr Ou Bingchang	02/06/2003 (b)	0.5400	9,000,000	—	9,000,000
Mr Chen Guangsong	02/06/2003 (b)	0.5400	8,000,000	—	8,000,000
Mr Li Fei	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Mr Liang Ningguang	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Mr Xiao Boyan	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Mr Liang Yi	02/06/2003 (b)	0.5400	7,000,000	—	7,000,000
Ms Yan Yuk Fung*	14/12/1999 (a)	0.5008	800,000	800,000 (c)	—
	02/06/2003 (b)	0.5400	3,000,000	—	3,000,000
Mr Yu Lup Fat Joseph	02/06/2003 (b)	0.5400	3,500,000	—	3,500,000
Mr Lee Ka Lun	02/06/2003 (b)	0.5400	2,450,000	—	2,450,000

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 (inclusive of any options exercised under (i)) 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) The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.69.

* Ms Yan Yuk Fung resigned as director of the Company with effect from 8th July 2004

Save as disclosed herein, as at 30th June 2004, 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 are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Interests of Substantial Shareholders

As at 30th June 2004, the following persons have an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Long position in shares	Approximate % of interest
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (Note 1)	3,215,943,248	51.04
J.P. Morgan Chase & Co. (Note 2)	500,092,000	7.94

Notes:

1. The capacity of Yue Xiu in holding the 3,215,943,248 shares was, as to 10,928,184 shares, as beneficial owner and, as to 3,205,015,064 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	3,215,943,248
Excellence Enterprises Co., Ltd. ("Excellence")	3,174,015,064
Bosworth International Limited ("Bosworth")	2,279,312,904
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")	31,000,000

OTHER INFORMATION

- (i) 2,279,312,904 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) 31,000,000 shares were held by YXF, which was wholly-owned by Yue Xiu.
2. The capacity of J.P. Morgan Chase & Co. in holding the 500,092,000 shares was, as to 479,670,000 shares, as investment manager and, as to 20,422,000 shares, as approved lending agent.

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 as stated in the Stock Exchange's daily quotation sheets for the five business 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").

OTHER INFORMATION

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 total 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 the date of approval of the 2002 Share Option Scheme, but the Company may seek approval from its shareholders in a general meeting to refresh the 10 per cent limit. On 2nd June 2004, the shareholders of the Company approved the refreshment of the 10 per cent limit under the 2002 Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes of the Company must not exceed 30 per cent of the shares of the Company in issue from time to time. 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 26 were as follows:

Number of share options					Exercise price per share	Date of grant	Exercisable period	Weighted average closing price (c)
outstanding as at 1st January 2004	granted during the period	lapsed during the period	exercised during the period	outstanding as at 30th June 2004				
52,000,000	—	—	46,600,000	5,400,000	0.3936	04/09/1998	04/09/1999 - 03/09/2004 (a)	0.941
13,374,000	—	—	2,740,000	10,634,000	0.5008	14/12/1999	14/12/2000 - 13/12/2005 (a)	0.904
152,150,000	—	—	23,164,000	128,986,000	0.4100	02/05/2003	02/05/2003 - 01/05/2013 (b)	0.677
8,000,000	—	—	—	8,000,000	0.5400	02/06/2003	02/06/2003 - 01/06/2013 (b)	N/A
12,620,000	—	—	216,000	12,404,000	0.8140	27/10/2003	27/10/2003 - 26/10/2013 (b)	0.942
100,632,000	—	228,000	170,000	100,234,000	0.8460	23/12/2003	23/12/2003 - 22/12/2013 (b)	0.896
—	320,310,000	—	—	320,310,000	0.6300	23/06/2004	23/06/2004 - 22/06/2014 (b)	N/A

Notes:

- (a) 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.
- (b) The options granted are exercisable in 3 tranches.
- (c) The weighted average closing price per share immediately before the dates on which the options were exercised.

The closing price of the shares immediately before the date on which the options were granted during the six months ended 30th June 2004 were as follows:

Date of grant	Closing price immediately before the date of grant
23/06/2004	HK\$0.62

The Directors consider that it is inappropriate to value the share options 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 to the employees of the Group were as follows:

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period (c)	Weighted average closing price (d) HK\$
outstanding as at 1st January 2004	exercised during the period	outstanding as at 30th June 2004				
1,530,000	110,000	1,420,000	0.7520	07/04/2000	07/04/2001 - 06/04/2006	2.464

Notes:

- (a) No options have been granted, cancelled or lapsed during the period.
- (b) All options are exercisable in 3 tranches.
- (c) If the last day of the exercisable period is not a business day, the exercisable period will expire on the business day preceding thereof.
- (d) 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 2004. 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 2004 had been reviewed by the Audit Committee.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 19th October 2004 to Thursday, 21st October 2004, 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/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Monday, 18th October 2004.

By order of the Board

Ou Bingchang

Chairman

Hong Kong, 16th September 2004

Board of Directors

Executive directors

Ou Bingchang (*Chairman*)
Chen Guangsong
Li Fei
Liang Ningguang
Xiao Boyan
Liang Yi
Wong Chi Keung

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

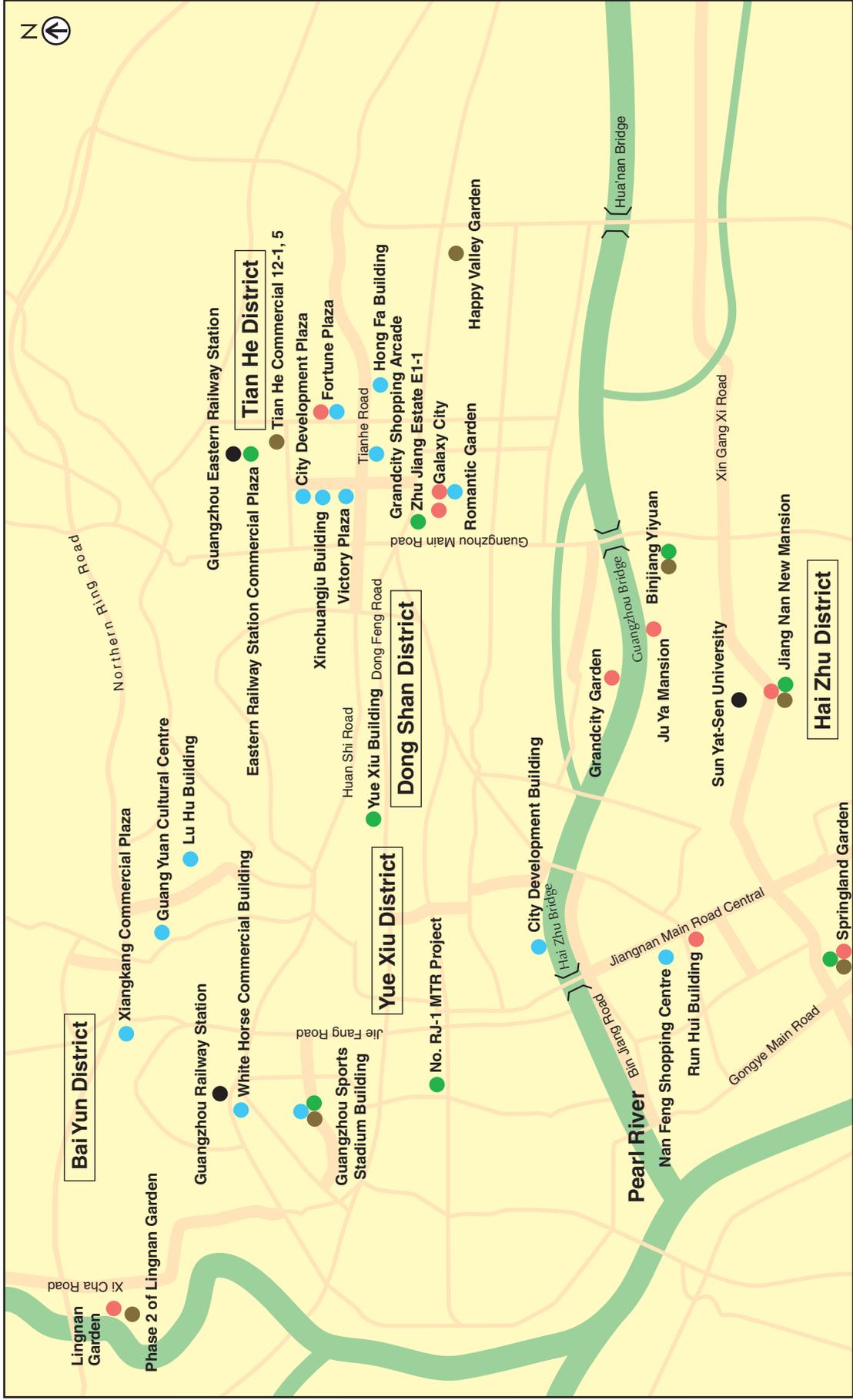
Investor Relations

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Location Map of Major Property Projects in Guangzhou Urban Area



- For rental
- For sale
- Under development
- Local landmark
- Land bank