



中國海外發展有限公司  
CHINA OVERSEAS LAND & INVESTMENT LTD.

Interim Report  
**2005**

## Strengthen Core Competitiveness Enhance Shareholders' Value

### Results

The board of directors (the “**Board**”) of China Overseas Land & Investment Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2005. The consolidated profit after tax attributable to equity holders of the parent amounted to HK\$576,000,000, representing an increase of 57% as compared to the corresponding period in 2004. The earnings per share is HK8.97 cents, representing an increase of 51% as compared to the corresponding period last year.

### Consolidated Results

The unaudited consolidated results of the Group for the six months ended 30 June 2005 and the comparative figures for the last corresponding period in 2004 are as follows:

#### Consolidated Income Statement

	Six months ended 30 June	
	2005	2004
<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<i>(Restated)</i>
Turnover		
Group continuing operations	<b>2,730,770</b>	2,264,901
Group discontinued operation	<b>959,417</b>	1,643,236
Associates and Jointly controlled entities	<b>355,097</b>	1,071,970
	<b><u>4,045,284</u></b>	<b><u>4,980,107</u></b>
Continuing operations		
Turnover	<b>2,730,770</b>	2,264,901
Cost of sales	<b>(1,656,717)</b>	(1,425,967)
Direct operating expenses	<b>(214,293)</b>	(122,107)
	<b>859,760</b>	716,827
Other operating income	<b>6,881</b>	9,406
Investment income	<b>9,140</b>	–
Gain on disposal of investment	<b>112,811</b>	–
Selling and distribution costs	<b>(64,231)</b>	(47,732)
Administrative expenses	<b>(183,630)</b>	(136,769)

Consolidated Income Statement (continued)

	Notes	Six months ended 30 June	
		2005 HK\$'000	2004 HK\$'000
			<i>(Restated)</i>
Profit from operations	(3)	<b>740,731</b>	541,732
Finance costs		<b>(74,732)</b>	(43,141)
Share of results of			
Associates		<b>3,629</b>	1,883
Jointly controlled entities		<b>34,159</b>	8,825
Profit before taxation		<b>703,787</b>	509,299
Income tax expense	(4)	<b>(123,808)</b>	(150,252)
Profit from continuing operations		<b>579,979</b>	359,047
Discontinued operation	(5)		
Profit from discontinued operation		<b>38,090</b>	52,152
Net profit for the period		<b><u>618,069</u></b>	<u>411,199</u>
Attributable to:			
Equity holders of the parent		<b>575,950</b>	367,695
Minority shareholders		<b>42,119</b>	43,504
		<b><u>618,069</u></b>	<u>411,199</u>
Interim dividends (proposed HK3 cents, 2004: HK2 cents)	(6)	<b><u>191,617</u></b>	<u>127,356</u>
Special dividend	(7)	<b><u>424,017</u></b>	<u>–</u>
		<b><i>HK cents</i></b>	<i>HK cents</i>
Earnings per share	(8)		
Basic			
From continuing and discontinued operations		<b><u>8.97</u></b>	<u>5.93</u>
From continuing operations		<b><u>8.38</u></b>	<u>5.09</u>
Diluted			
From continuing and discontinued operations		<b><u>8.83</u></b>	<u>5.85</u>
From continuing operations		<b><u>8.24</u></b>	<u>5.02</u>

## Consolidated Balance Sheet

	<b>30 June 2005 HK\$'000 (Unaudited)</b>	31 December 2004 HK\$'000 (Unaudited) <i>(Restated)</i>
<b>Non-current Assets</b>		
Investment properties	<b>1,199,700</b>	1,833,200
Property, plant and equipment	<b>1,718,343</b>	1,715,951
Interests in associates	<b>1,185,784</b>	1,297,633
Interests in jointly controlled entities	<b>1,677,001</b>	1,665,664
Investments in infrastructure projects	<b>157,167</b>	165,550
Investments in syndicated property projects	<b>540,578</b>	594,037
Instalments receivable	<b>12,301</b>	32,123
Other assets	<b>72,653</b>	89,822
Derivative financial instrument	<b>8,384</b>	–
Goodwill	<b>64,525</b>	(111,338)
	<b>6,636,436</b>	7,282,642
<b>Current Assets</b>		
Inventories	<b>22,573</b>	41,037
Properties for sale	<b>12,692,001</b>	12,236,835
Investments in infrastructure projects	<b>47,885</b>	46,717
Trade and other receivables	<b>1,425,984</b>	1,514,476
Amounts due from customers for contract work	<b>535</b>	31,608
Deposits and prepayments	<b>244,841</b>	204,805
Tax prepaid	<b>16,032</b>	45,600
Bank balances and cash	<b>1,824,492</b>	2,617,633
	<b>16,274,343</b>	16,738,711
<b>Current Liabilities</b>		
Trade and other payables	<b>3,402,658</b>	4,602,720
Sales and other deposits	<b>1,746,923</b>	2,053,816
Amounts due to customers for contract work	<b>28,629</b>	113,225
Amounts due to associates	<b>152,799</b>	154,061
Tax liabilities	<b>257,254</b>	289,962
Bank loans - due within one year	<b>2,631,356</b>	1,805,741
	<b>8,219,619</b>	9,019,525
<b>Net Current Assets</b>	<b>8,054,724</b>	7,719,186
	<b>14,691,160</b>	15,001,828

**Consolidated Balance Sheet** *(continued)*

	<b>30 June 2005 HK\$'000 (Unaudited)</b>	31 December 2004 HK\$'000 (Unaudited) <i>(Restated)</i>
<b>Capital and Reserves</b>		
Share capital	<b>638,669</b>	637,073
Share premium and reserves	<b>9,788,450</b>	9,794,659
Equity attributable to equity holders of the parent	<b>10,427,119</b>	10,431,732
Minority interest	<b>555,796</b>	684,522
Total Equity	<b>10,982,915</b>	11,116,254
<b>Non-current Liabilities</b>		
Bank loans - due after one year	<b>3,263,585</b>	3,058,783
Long term payables	<b>273,579</b>	627,639
Deferred tax liabilities	<b>171,081</b>	199,152
	<b>3,708,245</b>	3,885,574
	<b>14,691,160</b>	15,001,828

## Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	457,349	870,029
NET CASH USED IN INVESTING ACTIVITIES	(1,526,252)	(1,606,859)
NET CASH FROM FINANCING ACTIVITIES	<u>270,652</u>	<u>2,524,423</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(798,251)	1,787,593
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,571,076</u>	<u>2,183,000</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>1,772,825</u></u>	<u><u>3,970,593</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	1,773,899	3,970,593
Bank loans and overdrafts	<u>(1,074)</u>	<u>—</u>
	<u><u>1,772,825</u></u>	<u><u>3,970,593</u></u>

## Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Investment property revaluation reserve	Other property revaluation reserve	Exchange equalisation reserve	Goodwill on consolidation	PRC statutory reserve	Dividend reserve	Retained profits	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2004	544,103	5,220,609	9,930	-	80,068	293,809	(20,724)	(393,451)	64,931	191,174	2,095,300	8,085,749
Exchange differences on translation of financial statements	-	-	-	-	-	-	(4,659)	-	-	-	-	(4,659)
2003 final dividend paid	-	-	-	-	-	-	-	-	-	(191,174)	-	(191,174)
Issue of shares less expenses	10,385	65,361	-	-	-	-	-	-	-	-	-	75,746
Issue of shares less expenses on placing of existing shares	85,000	1,412,453	-	-	-	-	-	-	-	-	-	1,497,453
Repurchase of own shares	(2,995)	-	2,995	-	-	-	-	-	-	-	(36,856)	(36,856)
Share of associates' reserves movements	-	-	-	-	5,903	-	107	-	-	-	-	6,010
Realised when properties were used and depreciated	-	-	-	-	-	(3,395)	-	-	-	-	3,395	-
Deferred tax liability arising from surplus on revaluation of properties	-	-	-	-	-	480	-	-	-	-	-	480
Issue of share option	-	-	-	381	-	-	-	-	-	-	-	381
Net profit for the period	-	-	-	-	-	-	-	-	-	-	367,695	367,695
Amounts set aside for dividend payment	-	-	-	-	-	-	-	-	-	127,356	(127,356)	-
At 30 June 2004	636,493	6,698,423	12,925	381	85,971	290,894	(25,276)	(393,451)	64,931	127,356	2,302,178	9,800,825
Exchange differences on translation of financial statements	-	-	-	-	-	-	1,291	-	-	-	-	1,291
2004 interim dividend paid	-	-	-	-	-	-	-	-	-	(127,356)	-	(127,356)
Issue of shares less expenses	579	4,473	-	-	-	-	-	-	-	-	-	5,052
Repurchase of own shares	1	-	(1)	-	-	-	-	-	-	-	-	-
Share of associates' reserves movements	-	-	-	-	(9,437)	-	762	-	-	-	-	(8,675)
Increase on revaluation of properties, less minority interests	-	-	-	-	53,110	-	-	-	-	-	-	53,110
Realised when properties were used and depreciated	-	-	-	-	-	(3,431)	-	-	-	-	3,431	-
Deferred tax liability arising from surplus on revaluation of properties	-	-	-	-	-	491	-	-	-	-	-	491
Issue of share option	-	-	-	5,390	-	-	-	-	-	-	-	5,390
Net profit for the period	-	-	-	-	-	-	-	-	-	-	701,604	701,604
Amounts set aside for dividend payment	-	-	-	-	-	-	-	-	-	254,829	(254,829)	-
Transfer to PRC statutory reserve	-	-	-	-	-	-	-	-	50,735	-	(50,735)	-

## Consolidated Statement of Changes in Equity (continued)

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Exchange equalisation reserve HK\$'000	Goodwill on consolidation HK\$'000	PRC statutory reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2005	637,073	6,702,896	12,924	5,771	129,644	287,954	(23,223)	(393,451)	115,666	254,829	2,701,649	10,431,732
Prior period adjustments												
Decrease in negative goodwill	-	-	-	-	-	-	-	-	-	-	111,338	111,338
Increase in derivative financial instruments	-	-	-	-	-	-	-	-	-	-	(18,204)	(18,204)
Decrease in investment property revaluation reserve	-	-	-	-	(129,644)	-	-	-	-	-	129,644	-
Increase in deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	(2,205)	(2,205)
As restated	637,073	6,702,896	12,924	5,771	-	287,954	(23,223)	(393,451)	115,666	254,829	2,922,222	10,522,661
Exchange differences on translation of financial statements	-	-	-	-	-	-	392	-	-	-	-	392
2004 final dividend paid	-	-	-	-	-	-	-	-	-	(254,829)	-	(254,829)
Issue of shares less expenses	7,470	64,262	-	(1,272)	-	-	-	-	-	-	-	70,460
Repurchase of own shares	(5,874)	-	5,874	-	-	-	-	-	-	-	(78,040)	(78,040)
Realised when properties were disposed	-	-	-	-	-	(253)	-	-	-	-	253	-
Realised when properties were used and depreciated	-	-	-	-	-	(2,157)	-	-	-	-	2,157	-
Realised when investments were disposed	-	-	-	-	-	-	-	403,350	-	-	(403,350)	-
Deferred tax liability arising from surplus on revaluation of properties	-	-	-	-	-	9,195	-	-	-	-	-	9,195
Issue of share option	-	-	-	5,347	-	-	-	-	-	-	-	5,347
Net profit for the period	-	-	-	-	-	-	-	-	-	-	575,950	575,950
Amounts set aside for special dividend payment	-	-	-	-	-	-	-	-	-	424,017	(424,017)	-
2005 special dividend paid	-	-	-	-	-	-	-	-	-	(424,017)	-	(424,017)
Amounts set aside for dividend payment	-	-	-	-	-	-	-	-	-	191,617	(191,617)	-
Transfer to PRC statutory reserve	-	-	-	-	-	-	-	-	33,087	-	(33,087)	-
<b>At 30 June 2005</b>	<b>638,669</b>	<b>6,767,158</b>	<b>18,798</b>	<b>9,846</b>	<b>-</b>	<b>294,739</b>	<b>(22,831)</b>	<b>9,899</b>	<b>148,753</b>	<b>191,617</b>	<b>2,370,471</b>	<b>10,427,119</b>



## Notes to the Financial Statements

For the six months ended 30 June 2005

### (1) Basis of preparation and accounting policies

These unaudited consolidated condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which became effective on 1 January 2005.

These condensed interim financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the 2004 annual financial statements, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKAS (collectively referred to as the “New HKFRSs”), which have become effective for accounting periods beginning on or after 1 January 2005 and have not been early adopted by the Group for the preparation of the 2004 annual financial statements. The applicable New HKFRSs adopted in these condensed interim financial statements are set out below and the comparatives have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

**(1) Basis of preparation and accounting policies** *(continued)*

The adoption of HKAS 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 28, 31, 33 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.
- HKAS 2, 7, 8, 10, 16, 17, 21, 23, 27, 28, 31, 33 and HKFRS 5 had no material effect on the Group's policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of HKAS 32 and HKAS 39 has resulted in the change in accounting policy for recognition, measurement, derecognition and disclosure of derivative financial instruments. By 31 December 2004, the Group's derivative financial instruments, mainly comprised interest rate-swaps, were used to manage the Group's exposure to interest rate fluctuation. The notional amounts of derivatives were previously recorded off balance sheet. Interest flows arising on the derivatives were previously accounted for on an accrual basis.

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in income statement for the period in which they arise.

The adoption of HKAS 40 has resulted in a change in the accounting policy for investment property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to the Group's retained profits.

## (1) Basis of preparation and accounting policies *(continued)*

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current period, the Group has applied HKAS Interpretation 21 (“**INT-21**”) “Income Taxes – Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is charged to the income statement of relevant accounting periods. As a transitional provision, HKFRS 2 has been applied retrospectively for all share options granted after 7 November 2002 and had not yet vested upon 1 January 2005.

In accordance with HKFRS 3, any excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition (“**discount on acquisition**”) is recognised immediately in income statement in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005 with a corresponding increase to retained profits.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 – does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice (“**SSAP**”) 24 “Accounting for investments in securities” to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1 January 2005; and
- HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005.

**(1) Basis of preparation and accounting policies (continued)**

Effect of adopting HKFRS 2, HKAS 32 and 39 are as follows:

	Six months ended 30 June 2005		Year ended 31 December 2004		Six months ended 30 June 2004	
	HKAS 32 & 39 HK\$'000	HKFRS 2 HK\$'000	HKAS 32 & 39 HK\$'000	HKFRS 2 HK\$'000	HKAS 32 & 39 HK\$'000	HKFRS 2 HK\$'000
Increase in investment income	19,779	-	-	-	-	-
Decrease in finance costs	6,809	-	-	-	-	-
Increase in administrative expenses	-	5,347	-	5,771	-	381
Total increase (decrease) in profit	<u>26,588</u>	<u>(5,347)</u>	<u>-</u>	<u>(5,771)</u>	<u>-</u>	<u>(381)</u>
Increase (decrease) in basic earnings per share	<u>0.41 cents</u>	<u>(0.08 cents)</u>	<u>-</u>	<u>(0.09 cents)</u>	<u>-</u>	<u>(0.01 cents)</u>

The adoption of HKFRS 2 and 3 resulted in a decrease of HK\$5,771,000 and an increase of HK\$111,338,000 respectively in opening retained profits as at 1 January 2005. Whereas the adoption of HKAS 40 resulted in an increase in opening retained profits as at 1 January 2005 by HK\$127,439,000. Effect of adopting HKAS 32, 39 & 40 and HKFRS 2 & 3 are as follows:

	30 June 2005				31 December 2004			
	HKAS 32 & 39 HK\$'000	HKAS 40 HK\$'000	HKFRS 2 HK\$'000	HKFRS 3 HK\$'000	HKAS 32 & 39 HK\$'000	HKAS 40 HK\$'000	HKFRS 2 HK\$'000	HKFRS 3 HK\$'000
Increase in derivative financial instrument	8,384	-	-	-	-	-	-	-
Decrease in negative goodwill	-	-	-	111,338	-	-	-	-
Increase in deferred tax liabilities	-	2,205	-	-	-	-	-	-
Increase in employee share-based compensation reserve	-	-	5,347	-	-	-	5,771	-
Decrease in investment properties revaluation reserve	-	129,644	-	-	-	-	-	-
Increase (decrease) in retained profits	<u>8,384</u>	<u>127,439</u>	<u>(5,347)</u>	<u>111,338</u>	<u>-</u>	<u>-</u>	<u>(5,771)</u>	<u>-</u>

## (2) Business segments

The businesses based upon which the Group reports its primary segment information are as follows:

Property development	—	development and sale of properties
Property investment	—	property letting
Industrial project investment	—	generation and supply of heat and electricity, and provision of transportation facilities services
Infrastructure project investment	—	investments in entities undertaking infrastructure projects

Segment information about revenue and contribution to results and the profit for the period are listed in the following table:

### Period Ended 30 June 2005

	Property development	Property investment	Industrial project investment	Infrastructure project investment	Other operations	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>							
External	2,344,398	67,177	120,724	54,338	144,133	-	2,730,770
Inter-segment	-	431	-	-	114,816	(115,247)	-
	<u>2,344,398</u>	<u>67,608</u>	<u>120,724</u>	<u>54,338</u>	<u>258,949</u>	<u>(115,247)</u>	<u>2,730,770</u>
<b>RESULTS</b>							
Segment results	<u>571,720</u>	<u>59,730</u>	<u>(10,031)</u>	<u>14,461</u>	<u>22,259</u>	<u>(431)</u>	657,708
Interest and other income							6,877
Investment income							9,140
Gain on disposal of investment							112,811
Unallocated corporate expenses							(45,805)
Profit from operations							740,731
Finance costs							(74,732)
Share of results of							
Associates	261	-	-	-	3,368	-	3,629
Jointly controlled entities	(1,279)	-	-	34,436	1,002	-	34,159
Profit before taxation							703,787
Income tax expense							(123,808)
Profit from continuing operations							<u>579,979</u>

**(2) Business segments** (continued)

Period Ended 30 June 2004

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Industrial project investment <i>HK\$'000</i>	Infrastructure project investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
	<i>(Restated)</i>						
<b>REVENUE</b>							
External	2,011,500	73,715	90,214	33,505	55,967	-	2,264,901
Inter-segment	-	2,054	-	-	182,507	(184,561)	-
	<u>2,011,500</u>	<u>75,769</u>	<u>90,214</u>	<u>33,505</u>	<u>238,474</u>	<u>(184,561)</u>	<u>2,264,901</u>
<b>RESULTS</b>							
Segment results	<u>473,415</u>	<u>54,899</u>	<u>15,793</u>	<u>16,864</u>	<u>7,940</u>	<u>(2,054)</u>	566,857
Interest and other income							9,406
Unallocated corporate expenses							<u>(34,531)</u>
Profit from operations							541,732
Finance costs							<u>(43,141)</u>
Share of results of							
Associates	(2,222)	-	-	-	4,105	-	1,883
Jointly controlled entities	-	-	-	8,825	-	-	<u>8,825</u>
Profit before taxation							509,299
Income tax expense							<u>(150,252)</u>
Profit from continuing operations							<u>359,047</u>

(3) Profit from operations

	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Depreciation	<u>53,747</u>	<u>38,975</u>
Amortisation of negative goodwill	<u>-</u>	<u>(4,009)</u>
Interest income	<u>(8,266)</u>	<u>(6,126)</u>

(4) Income tax expense

	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:		
Continuing operations		
Hong Kong profits tax	<u>3,936</u>	14,298
PRC income tax	<u>128,783</u>	<u>138,031</u>
	<u>132,719</u>	<u>152,329</u>
Deferred taxation	<u>(8,911)</u>	<u>(2,077)</u>
Income tax relating to continuing operations	<u>123,808</u>	<u>150,252</u>
Discontinued operation		
Hong Kong profits tax	<u>4,121</u>	(140)
PRC income tax	<u>-</u>	<u>49</u>
Income Tax relating to discontinued operation	<u>4,121</u>	<u>(91)</u>
	<u>127,929</u>	<u>150,161</u>

**(4) Income tax expense** *(continued)*

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

PRC income tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the period.

**(5) Discontinued operation**

The results of the discontinued operation for the six months ended 30 June 2005 and the comparative figures for the last corresponding period in 2004 are as follows:

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>959,417</b>	1,643,236
Cost of sales	<b>(893,840)</b>	(1,566,267)
	<b>65,577</b>	76,969
Other operating income	<b>4,287</b>	109
Administrative expenses	<b>(28,819)</b>	(22,259)
Profit from operations	<b>41,045</b>	54,819
Finance costs	<b>(131)</b>	(752)
Share of results of associates	<b>1,297</b>	(2,006)
Profit before taxation	<b>42,211</b>	52,061
Income tax expense	<b>(4,121)</b>	91
Net profit for the period	<b>38,090</b>	52,152

The net assets of the discontinued operation at the date of disposal were HK\$424 million.

**(6) Interim dividends**

The Board declared the payment of an interim dividend for 2005 of HK3 cents per share (2004: HK2 cents per share).

**(7) Special dividend**

Construction business was disposed on 30 June 2005. Due to receipt of consideration in terms of China State Construction International Holdings Limited ("CSCIHL") shares from disposal of construction business, a special dividend was paid to the shareholders in July in the form of a distribution in specie of the consideration shares 1 CSCIHL share for every 18 shares held.



## (8) Earnings per share

### From continuing and discontinued operations

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the parent of HK\$575,950,000 (2004: HK\$367,695,000) and on the weighted average number of 6,420,062,000 (2004: 6,200,748,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share is based on the profit for the period attributable to equity holders of the parent of HK\$575,950,000 (2004: HK\$367,695,000) and on the weighted average number of 6,523,940,000 (2004: 6,280,832,000) ordinary shares in issue and issuable after adjusting for the weighted average number of dilutive potential ordinary shares of 103,878,000 (2004: 80,084,000) ordinary shares on the assumption that all share options were exercised during the period.

### From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity holders of the parent is based on the following information:

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
	<hr/>	<hr/>
Earnings for the period attributable to equity holders of parent	<b>575,950</b>	367,695
Less: Earnings for the period from discontinued operation	<b>(38,090)</b>	(52,152)
	<hr/>	<hr/>
Earnings for the purpose of basic and diluted earnings per share for continuing operations	<b><u>537,860</u></b>	<u>315,543</u>

The denominators used are the same as those detailed above for basic and diluted earnings per share.

### From discontinued operation

Basic and diluted earnings per share for discontinued operation is HK0.59 cents (2004: HK0.84 cents) and HK0.58 cents (2004: HK0.83 cents) respectively which are calculated based on the profit for the period from discontinued operation of HK\$38,090,000 (2004: HK\$52,152,000). The denominators used are the same as those detailed above for basic and diluted earnings per share.

**(9) Trade and other receivables**

Except for revenue from property sales and infrastructure project investments which are payable in accordance with the terms of the relevant agreements, generally the Group allows a credit period of not exceeding 60 days to its customers.

The following is an analysis of trade and other receivables at the balance sheet date:

	<b>30 June 2005 HK\$'000</b>	31 December 2004 HK\$'000
Receivables, aged		
0-30 days	<b>208,164</b>	606,742
31-90 days	<b>610,592</b>	129,289
Over 90 days	<b>607,228</b>	418,900
Retentions receivable	–	359,545
	<b><u>1,425,984</u></b>	<b><u>1,514,476</u></b>

**(10) Trade and other payables**

The following is an analysis of trade and other payables at the balance sheet date:

	<b>30 June 2005 HK\$'000</b>	31 December 2004 HK\$'000
Payables, aged		
0-30 days	<b>1,299,490</b>	1,635,124
31-90 days	<b>79,017</b>	140,602
Over 90 days	<b>746,511</b>	722,136
Consideration for acquisition of land and investment payable	<b>1,192,486</b>	1,780,060
Retentions payable	<b>85,154</b>	324,798
	<b><u>3,402,658</u></b>	<b><u>4,602,720</u></b>

## **(11) Contingent liabilities**

At 30 June 2005, guarantees given and indemnities provided by the Group in respect of credit facilities granted to associates were HK\$19,338,000 (31 December 2004: HK\$16,533,000). Outstanding counter indemnities for surety bonds issued in respect of construction projects was cancelled following the disposal of construction business (31 December 2004: HK\$748,000,000). In addition, mortgage bank loans repayment guarantee granted to purchasers of the Group's properties amounted to HK\$2,165,999,000 (31 December 2004: HK\$2,461,000,000).

## **(12) Pledge of assets**

At the balance sheet date, the mortgage bank loans granted to the purchasers of the Group's properties were secured by the Group's bank deposits amounting to approximately HK\$45 million (31 December 2004: HK\$63 million).

## Interim Dividends

The Board declared the payment of an interim dividend of HK3 cents per share (2004: HK2 cents per share) to shareholders whose names appear in the register of members of the Company on 21 September 2005. The interim dividend will be payable on 28 September 2005.

## Closure of Register of Members

The register of members of the Company will be closed from 15 September 2005 (Thursday) to 21 September 2005 (Wednesday), both dates inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrars, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, no later than 4:00 p.m. on 14 September 2005 (Wednesday).

## Business Review

During the period reported, the investment sentiment has significantly improved. The economy of Hong Kong has shown signs of recovery and the unemployment rate was further lowered. At the same time, the overall economy of the PRC sustained its trend of rapid growth, bringing about a growth of GDP by 9.5% compared over the corresponding period.

In view of the rapid price increase of residential properties in certain regions of the PRC, the central government has determined to stabilize prices as one of its major work targets this year. By following the ideology of "optimized supply, controlled demand, policy guidance, regulated market", it has introduced a series of macro-control measures for the purpose of economic and political guidance, including the supply of land, financing and business tax, so as to foster the continual healthy development of property industry.

The Board believes that the property investment could be further rationalized, and the supply and demand would maintain a balance by adopting appropriate measures to restrict speculators. Through the effective improvement of commercial residential property structure, the supply of economical residential properties was increased with a purpose to restrain speculative purchase. These macro-control measures were conducive to the development of the property market in a regulatory manner, and were also beneficial to the creation of a retention and elimination mechanism in the property industry. By enhancing its consolidation, those strong and reputable brand name companies could capitalize on the new opportunities and chances to seek further development.

## **Business Review** *(continued)*

The core business of the Group continued to grow in the first half of the year. The sale of properties in various regions in the PRC was sustained as scheduled. At the same time, the Group seized the opportunity by enlarging its land bank, creating a solid foundation for the further expansion of business operation. In addition, the investment in domestic infrastructure and provincial facilities also recorded satisfactory overall performance.

In May 2005, the Group has successfully received the Baa3 and BBB- ratings from Moody and Standard and Poor's respectively, making it the pioneer among the domestic property developers for being granted two investment credit ratings.

For the six months ended 30 June 2005, the Group's turnover of property sales was approximately HK\$2.344 billion, representing an increase of 16.5% compared over the corresponding period of 2004. The sales turnover in the Hong Kong region reduced 38.8% to about HK\$86 million in the first half of the year. The Group's sales turnover in the PRC was approximately HK\$2.258 billion, up by 20.7% compared over the corresponding period of last year.

For the six months ended 30 June 2005, the Group's operating profit of property sales increased 20.8% to HK\$572 million, in which a profit of HK\$27.2 million was recorded in Hong Kong. The profit in the Mainland amounted to HK\$544.5 million, which was attributable to the further increase in sales and profit margin by 29.5%, representing an increase of 21.1% as compared to the corresponding period of last year.

### **Property Development**

#### *Property sales*

The gross property sales of the Group was approximately HK\$3 billion, maintaining the same level as that of the corresponding period of 2004. The gross floor area ("**GFA**") was 520,000 sq.m., representing an increase of 6% over the corresponding period of last year. At the end of June, the total GFA pre-sold in the PRC was 460,000 sq.m., or equivalent to a sales amount of HK\$2.45 billion. As a number of new projects in the PRC are available for sale in the second half of the year, the Board will, in view of the current progress, continue to pursue its sales target at a GFA of 1,200,000 sq.m. for the year.

#### *PRC properties due to complete in the year*

The Group has originally planned to complete 15 projects in 2005 as announced in 2004. Taking account of the current progress and under normal circumstances, the Board anticipates that apart from the possible delay of the completion of Fairyland Phase II in Zhongshan to the first half of 2006, a great majority of the floor space in all these projects will be completed by the end of the year per budget.

*PRC properties due to complete in the year (continued)*

There were 4 projects completed during the period in the PRC, including Region A of Primrose Villa Phase I in Shenzhen, Zhonghai Faery Villa in Beijing, Peace Garden Phase II in Shanghai and Cannes Garden Phase III in Guangzhou. Total GFA for these 4 projects was 390,000 sq.m., in which 87% or 340,000 sq.m. has been sold at the end of June, raising a sales amount of HK\$1.9 billion. In addition, the sales of the Group's property held for sale was satisfactory, with 94,000 sq.m. accounted for HK\$700 million was sold. At the end of June, the Group has property of 159,000 sq.m. held for sale in the PRC, in which approximately 138,000 sq.m. was residential units (of which properties completed before the end of 2004 was 88,000 sq.m.).

*Newly acquired land for the land bank*

During the first half of 2005, the Group acquired 5 pieces of land, which has provided an additional GFA of 1,080,000 sq.m. for development in the near future.

City	Name of Project	Intended Usage	Percentage of interest attributable to the Group	Total GFA ( <i>'000 sq.m.</i> )	Land Premium ( <i>HK\$ billion</i> )
Chengdu	Longwan Bandao	Residential	100%	455.5	0.62
Changchun	Villa Marbella*	Residential	100%	220.0	0.09
Ningbo	Dongqianhu Paomachang	Residential	100%	397.7	0.66
Hong Kong	Yee Kuk Street	Residential	100%	3.6	0.09
	To Kwa Wan	Residential	100%	6.0	0.17
				<u>1,082.8</u>	<u>1.63</u>

\* Held through China Overseas Property Group Co. Ltd. in which the Group has 79% interest

As at 30 June 2005, after taking out projects completed in the period, the GFA owned by the Group in respect of properties to be developed and under development amounted to 10,450,000 sq.m., enough for development for 4-5 years.

## Construction and Contracting Business

On 3 June 2005, the Group, China State Construction International Holdings Limited (“CSCIHL”) and China Overseas Holdings Limited entered into a Sale and Purchase Agreement, whereby the Group agreed to sell the construction and contracting business that it possessed with a consideration of HK\$788 million which will be paid by the CSCIHL Shares. On 30 June 2005, the proposed resolutions related to the sale of such business, separate listing of CSCIHL and the distribution in specie (i.e. on the basis of 1 CSCIHL Share for every 18 Shares of the Company’s Shares) were approved and agreed at the Extraordinary General Meeting convened by the Group. On 8 July 2005, the CSCIHL was listed on The Stock Exchange of Hong Kong Limited by way of introduction.

## Infrastructure Investment

During the period, infrastructure and provincial facilities related to investment continued to contribute steady operating profit to the Group.

## Property Rentals

During the period, rental rate of invested properties in Hong Kong and the PRC continued to sustain at a high level. The Group signed an agreement on June 13 to sell 60% of its equity interest in Shanghai Square located in Shanghai for HK\$550 million. Owing to the disposal of certain rental properties last year, the Group’s rental income in the first half of the year decreased approximately 8.8% to HK\$67,200,000, of which 56.2% was from the PRC.

## Prospects

The Board is fully confident about the future of the Group. It is expected that the global economic environment is most probably optimistic. The economy of Hong Kong will continue to maintain its upward trend while the overall PRC economy will sustain a rapid growth. As the property market is becoming more regulated and rationalized, new opportunities and chances will be opened for the Group to make further development. The Group will leverage on its sensitive market awareness, abundant human resources, strong financial resources, quality management and national brand image, and will continue to capitalize on the stable growth of housing demand and property price to accelerate the development of its core business in the property industry. By enhancing its integrative ability, strengthening the company’s competitiveness and motivating the development of its property business in the PRC strategically and procedurally, the Group is progressing to achieve its target of becoming a best national property developer and striving for the best return to its shareholders.

## **The PRC Property Development Business**

- a. The Group will implement optimal strategies to increase land resources. More than 1,500,000 sq.m. of land will be acquired annually. The Group will adopt a prudent approach in analyzing the market and risk of price fluctuation and attaining a balance between land acquisition and risk so as to maintain the optimal level of land bank and obtain the best return in investment.
- b. The Group continues to focus on the effective use of capital and the cashflow of projects. By adopting measures to stimulate sales, reduce the quantity of property held for sale and shorten the cashflow cycle, the internal capital return for each project is enhanced.
- c. The Group will strengthen its brand building. By consolidating and creating an integrated professional development model and taking hold of the advantages so incurred, the expected property area to be sold and sales amount this year will be achieved, allowing it to further capitalize on these advantages in the next three years.

## **Hong Kong and Macau Property Development Business**

The Group has acquired two pieces of land in Hong Kong in the first half of the year, having a development area of 9,600 sq.m. The Group will capture the opportunity of city redevelopment and will pay close attention to the development of property market in Hong Kong.

The economy and property market of Macau has a favourable development. The Group acquired a piece of land in 2003 with its development area of 180,000 sq.m. Currently, the foundation work has completed and the property on the site will be available for pre-sale by the end of September 2005, and is expected to be occupied in mid-2007.

## **Property Investment, Infrastructure and Industrial Project Investment Business**

Property investment, infrastructure and industrial project investment business are the most important components of the Group's business portfolio that provides long-term stable income and cashflow while minimizing cyclical fluctuation in property development. For the purpose of centralizing resources, the Group has determined to consolidate these three business segments, that are, to focus on the development of infrastructures such as highways and bridges in the future and increase its investment in well-located properties with good return at the right time, while other non-core investment projects will be sold when suitable.

Since the goldmine project in Laizhou, Shandong province fails to satisfy the established terms and requirements for acquisition, the Group has terminated the acquisition of such project.



## Financial Policies

The Group will continue to adopt a prudent financial policy. It continues to maintain the level of 10% cash in hand, consolidate capital funds and financial management, and also sustain an optimal level of financing. While actively pursuing business development and attaining reasonable return, the Group also ensures that its capital structure is progressing in a scientific and healthy way for the purpose of increasing capital return. At the end of June 2005, the Group has an amount of HK\$1.897 billion in cash, together with the unutilized banking facilities, the cash and facilities available for the operation of the Group reached HK\$3.897 billion. The abundant capital resources and stable financial structure act as a strong support of the Group to explore for the best commercial opportunities and accelerate business expansion.

## Development Strategy and Tactics

Following the implementation of macro-control measures by the central government, the consolidation and restructuring of the property industry in the PRC have been accelerated. The trend of market development is towards to be more regulated and rationalized, finally enhancing the quality of industry as a whole and allowing outstanding property developers to take a leading position. Meanwhile, the Group can focus more on its core business of property development by selling its construction and contracting business. In view of the volatile market environment, the Board puts much effort in stabilizing its long-term development strategies and adjusting tactics to ensure that the Group has flexibility enough to confront changes in the market environment at the right time and maintain a balance between risk and opportunities, in order to capture the best development opportunities and increase the value of shareholders.

## Management Discussion and Analysis

### Overall Performance

During the period reported, the turnover of the Group for continue business was HK\$2,730,770,000 (2004: HK\$2,264,901,000), representing an increase of 20.6% as compared to the corresponding period of last year. The operating profits after adjusting for unallocated corporate expenses of HK\$45,805,000 and financial costs of HK\$74,732,000 was HK\$665,999,000 (2004: HK\$498,591,000), representing an increase of 33.6% as compared to the corresponding period of last year. Profit attributable to shareholders was HK\$575,950,000 (2004: HK\$367,695,000), representing an increase of 56.6%. Basic earnings per share for continual operation was HK8.38 cents (2004: HK5.09 cents) while diluted earnings per share was HK8.24 cents (2004: HK5.02 cents). As at 30 June 2005, the Group's total shareholders' funds amounted to HK\$10,427,119,000 (2004: HK\$10,431,732,000) while the net asset per share was HK\$1.63 (2004: HK\$1.64).

## Income

The operating income from property development business was HK\$2.344 billion. It was mainly attributable to stable property sales in the PRC with sales income increased to HK\$2.258 billion, accounting for 82.7% of the total turnover and representing an increase of 20.7% over the corresponding period of last year. Hong Kong property sales were decreased to HK\$86,100,000.

Rental income of properties was HK\$67,200,000, representing a decrease of 8.8% as compared to the corresponding period of last year. It was mainly attributable to the disposal of rental properties last year.

Infrastructure related investment revenue was HK\$54,300,000, representing an increase of 62.1% as compared to the corresponding period of last year.

Turnover from other operations amounted to HK\$265 million.

## Profit from Operations

During the period reported, the profit from operations was HK\$665,999,000 (2004: HK\$498,591,000), representing an increase of 33.6% as compared to the corresponding period of last year, in which the PRC property development business maintains a steady volume of sales thus contributed HK\$545 million to the operating profit, representing an increase of 21.1%. The profit from the PRC property sector mainly consisted of sales of properties from four projects completed during the period. The overall sales margin of property business in the PRC in the first half of 2005 was 29.5%, up by 0.7% as compared over the first half of 2004. The result was satisfactory. The Hong Kong property market has begun to rebound and this sector recorded a profit of about HK\$27,200,000.

Rentals from investment properties and infrastructure related investment continued to provide a stable source of income to the Group, contributing an operating profit of about HK\$59,300,000 and HK\$14,400,000 respectively.

## Unallocated Administrative Expenses

The unallocated administrative expenses of the Group for the first half of 2005 was HK\$45,805,000, representing an increase of 32.6% as compared to the corresponding period of last year. It was mainly attributable to the restructuring of departments and salary adjustment that drove up the administrative expenses.

It is expected that the expenses in the second half of the year will be controlled within the budget.

## Liquidity, Financial Resources and Gearing

The Group adopted a prudent financial policy and strictly monitored its payments and receipts. After receiving the credit rankings from Moody and Standard and Poor's respectively, the Group successfully issued the 7-year bond worth US\$300 million at an interest rate of 5.75% in July 2005, which was amounted to HK\$2.34 billion, for the purpose of providing financial support to the company's development and optimize the capital and liabilities structure of the Group. On 30 June 2005, the net debt ratio of the Group was 38% (31 December 2004: 21%) (calculated on the basis of dividing the difference between total bank borrowings and the bank deposit and cash by shareholder's contribution). In the first half of the year, the finance cost in Hong Kong was increased as compared with the corresponding period of last year due to the fact that the total borrowings have risen.

As at 30 June 2005, the consolidated bank debts of the Group amounted to HK\$5.895 billion (31 December 2004: HK\$4.865 billion), of which 51% was denominated in Hong Kong dollars and 49% was denominated in Renminbi.

As at 30 June 2005, the Group had cash and bank balances amounted to approximately HK\$1.897 billion and unutilized banking facilities amounted to approximately HK\$2 billion. On 28 July 2004, the Group signed a 5-year HK\$2.43 billion loan agreement in Hong Kong, thus increasing the standby banking facilities substantially and at a cost much lower than in the PRC. Except for the HK\$900 million out of a HK\$1.8 billion syndicated loan, all the above bank borrowings were made on floating rates.

To reduce the exposure to fluctuations in interest, the Group entered into an interest swap agreement (commencing on 23 April 2003 and expiring on 23 July 2007) pursuant to which the interest rate of HK\$600 million loan was fixed at about 4.3%. Another swap agreement was made (commencing on 23 October 2003 and expiring on 23 July 2007) pursuant to which the interest rate of HK\$300 million loan was fixed at about 4.0%. The Group has no other derivative exposure either for hedging or speculative purpose. Due to the factors that the interest rate is on the rising trend and the appreciation of Renminbi, the Group will carefully consider an appropriate time to enter into some currency and interest swap arrangements so as to lower financial cost.

## Employees

As at 30 June 2005, the Group had 9,956 employees, in which 3,349 of them were based in Hong Kong, 6,587 in the PRC and 20 in the overseas. The target responsibility system for each department has started to have positive effect. At the beginning of the year, the Group has provided incentive to staff members who have attained job objective and satisfactory performance in accordance with the target responsibility system for the purpose of creating a linkage between personal performance and collective operating results. During the period, the Group has continued to strengthen staff training by providing a series of safety and environmental protection courses. With these, the staff members are better equipped to comply with the requirements of laws and regulations, and at the same time the reputation of the Group in the construction industry is fortified.

## Others

As there was no material change in the aspects of the Group's taxation, segmental information and charges on assets, exposure to fluctuations in exchange rates and related hedges and contingent liabilities compare with those disclosed in the Company's Annual Report for the year ended 31 December 2004, no detailed disclosures are made herein.

## Share Capital

The Company's total issued share capital as at 30 June 2005 was 6,386,693,609 ordinary shares of HK\$0.10 each (the "Shares").

## Information on Share Options

Information in relation to share options disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

### (1) Movement of share options during the period ended 30 June 2005

Name	Date of Grant	Number of shares under options granted				Outstanding at 30.6.2005
		Outstanding at 01.01.2005	Granted during the period	Exercised during the period	Cancelled during the period	
Mr. Sun Wen Jie (resigned on 22 March 2005)	17.07.1997 (i)	6,880,000	-	-	-	6,880,000
	14.02.1998 (ii)	19,480,000	-	(520,000)	-	18,960,000
	30.09.1998 (iii)	1,520,000	-	(760,000)	-	760,000
	04.01.2000 (iv)	1,500,000	-	(500,000)	-	1,000,000
	18.06.2004 (vi)	3,360,000	-	(672,000)	-	2,688,000
		<b>32,740,000</b>	<b>-</b>	<b>(2,452,000)</b>	<b>-</b>	<b>30,288,000</b>
Mr. Kong Qingping	17.07.1997 (i)	1,000,000	-	-	-	1,000,000
	14.02.1998 (ii)	10,720,000	-	(280,000)	-	10,440,000
	30.09.1998 (iii)	920,000	-	(460,000)	-	460,000
	04.01.2000 (iv)	1,200,000	-	(400,000)	-	800,000
	18.06.2004 (vi)	3,360,000	-	-	-	3,360,000
		<b>17,200,000</b>	<b>-</b>	<b>(1,140,000)</b>	<b>-</b>	<b>16,060,000</b>
Mr. Yao Peifu	17.07.1997 (i)	3,800,000	-	-	-	3,800,000
	14.02.1998 (ii)	15,000,000	-	(800,000)	-	14,200,000
	30.09.1998 (iii)	1,000,000	-	(500,000)	-	500,000
	04.01.2000 (iv)	1,200,000	-	(400,000)	-	800,000
	18.06.2004 (vi)	2,880,000	-	-	-	2,880,000
		<b>23,880,000</b>	<b>-</b>	<b>(1,700,000)</b>	<b>-</b>	<b>22,180,000</b>

Information on Share Options *(continued)*

Name	Date of Grant	Number of shares under options granted				Outstanding at 30.6.2005
		Outstanding at 01.01.2005	Granted during the period	Exercised during the period	Cancelled during the period	
Mr. Cui Duosheng	17.07.1997 (i)	1,000,000	-	-	-	1,000,000
	14.02.1998 (ii)	9,000,000	-	(480,000)	-	8,520,000
	30.09.1998 (iii)	720,000	-	(360,000)	-	360,000
	04.01.2000 (iv)	1,020,000	-	(340,000)	-	680,000
	18.06.2004 (vi)	2,880,000	-	-	-	2,880,000
			<b>14,620,000</b>	<b>-</b>	<b>(1,180,000)</b>	<b>-</b>
Mr. Wu Jianbin	17.07.1997 (i)	550,000	-	-	-	550,000
	14.02.1998 (ii)	640,000	-	(160,000)	-	480,000
	30.09.1998 (iii)	360,000	-	(180,000)	-	180,000
	04.01.2000 (iv)	780,000	-	(260,000)	-	520,000
	18.06.2004 (vi)	2,880,000	-	-	-	2,880,000
			<b>5,210,000</b>	<b>-</b>	<b>(600,000)</b>	<b>-</b>
Mr. Xiao Xiao <i>(appointed on 1 February 2005)</i>	17.07.1997 (i)	600,000	-	-	-	600,000
	14.02.1998 (ii)	540,000	-	-	-	540,000
	30.09.1998 (iii)	400,000	-	-	-	400,000
	04.01.2000 (iv)	780,000	-	-	-	780,000
	18.06.2004 (vi)	2,000,000	-	-	-	2,000,000
			<b>4,320,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mr. Jin Xinzong <i>(appointed on 22 March 2005)</i>	17.07.1997 (i)	200,000	-	-	-	200,000
	14.02.1998 (ii)	240,000	-	(60,000)	-	180,000
	30.09.1998 (iii)	100,000	-	(50,000)	-	50,000
	04.01.2000 (iv)	480,000	-	(160,000)	-	320,000
	18.06.2004 (vi)	1,600,000	-	-	-	1,600,000
			<b>2,620,000</b>	<b>-</b>	<b>(270,000)</b>	<b>-</b>
Mr. Cheung Shiu Kit	17.07.1997 (i)	1,000,000	-	-	-	1,000,000
	18.06.2004 (vi)	2,880,000	-	-	-	2,880,000
		<b>3,880,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,880,000</b>

## Information on Share Options *(continued)*

Name	Date of Grant	Number of shares under options granted				
		Outstanding at 01.01.2005	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding at 30.6.2005
Mr. Yip Chung Nam <i>(resigned on 1 February 2005)</i>	17.07.1997 (i)	800,000	-	-	-	800,000
	18.06.2004 (vi)	2,000,000	-	-	-	2,000,000
		<b><u>2,800,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,800,000</u></b>
Aggregate of other employees*	17.07.1997 (i)	41,250,000	-	-	-	41,250,000
	14.02.1998 (ii)	70,500,000	-	(51,140,000)	-	19,360,000
	30.09.1998 (iii)	10,480,000	-	(4,840,000)	-	5,640,000
	04.01.2000 (iv)	26,990,000	-	(10,530,000)	-	16,460,000
	24.10.2001 (v)	-	-	-	-	-
	18.06.2004 (vi)	40,500,000	-	(856,000)	-	39,644,000
		<b><u>189,720,000#</u></b>	<b><u>-</u></b>	<b><u>(67,366,000)</u></b>	<b><u>-</u></b>	<b><u>122,354,000</u></b>

\* Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Employment Ordinance of Hong Kong.

# Options to subscribe for a total of 6,940,000 shares in the Company held by Mr. Xiao Xiao and Mr. Jin Xinzhong as at 1 January 2005 have been deducted for re-classification due to their appointment as directors of the Company during the period under review.

## Information on Share Options *(continued)*

- (2) At 30 June 2005, the options granted to subscribe for 222,282,000 Shares remained outstanding, representing approximately 3.48% of the issued share capital of the Company at that date. No options to subscribe for shares have been cancelled during the period ended 30 June 2005.

As at the date of this interim report, 221,738,000 Shares were available for issue under the Share Option Scheme, representing approximately 3.47% of the issued share capital of the Company at that date.

- (3) During the period ended 30 June 2005, options to subscribe for a total of 74,708,000 Shares (including options exercised by the Directors) of the Company were exercised, particulars as follows:

Date of Exercise	17.07.1997 (i)	14.02.1998 (ii)	30.09.1998 (iii)	04.01.2000 (iv)	24.10.2001 (v)	18.06.2004 (vi)	Total	Weighted average closing price immediately before the exercise
04.01.2005	-	4,780,000	200,000	240,000	-	-	5,220,000	1.98
13.01.2005	-	2,170,000	2,370,000	3,180,000	-	-	7,720,000	1.94
20.01.2005	-	1,840,000	1,420,000	3,620,000	-	-	6,880,000	1.92
07.02.2005	-	40,270,000	1,030,000	2,000,000	-	-	43,300,000	1.91
28.02.2005	-	1,000,000	150,000	380,000	-	-	1,530,000	1.96
30.03.2005	-	1,600,000	1,140,000	960,000	-	-	3,700,000	1.92
03.05.2005	-	580,000	230,000	700,000	-	-	1,510,000	1.86
28.05.2005	-	400,000	-	330,000	-	-	730,000	1.81
25.06.2005	-	800,000	610,000	1,180,000	-	1,528,000	4,118,000	1.76
<b>Total:</b>	<b>-</b>	<b>53,440,000</b>	<b>7,150,000</b>	<b>12,590,000</b>	<b>-</b>	<b>1,528,000</b>	<b>74,708,000</b>	

## Information on Share Options *(continued)*

Notes:

(a) *Particulars of share options granted:*

<b>Date of Grant</b>	<b>Vesting Period (both dates inclusive)</b>	<b>Exercise Period (both dates inclusive)</b>	<b>Exercise Price Per Share (HK\$)</b>
(i) 17.07.1997	17.07.1997 – 16.07.1998	17.07.1998 – 16.07.2007	4.06
(ii) 14.02.1998	14.02.1998 – 13.02.1999	14.02.1999 – 13.02.2008	1.08
(iii) 30.09.1998	30.09.1998 – 29.09.1999	30.09.1999 – 29.09.2008	0.52
(iv) 04.01.2000	04.01.2000 – 03.01.2001	04.01.2001 – 03.01.2010	0.58
(v) 24.10.2001	24.10.2001 – 23.10.2002	24.10.2002 – 23.10.2011	0.69
(vi) 18.06.2004	18.06.2004 – 17.06.2005	18.06.2005 – 17.06.2014	1.13

(b) (i) *During the period under review, no options have been granted to any eligible employees (including the directors and independent non-executive directors of the Company) to subscribe for Shares of the Company.*

(ii) *Value of share options granted during the period ended 30 June 2005:*

*The Board considers that it is not appropriate to disclose the value of options granted during the period ended 30 June 2005, since any valuation of the options would be subject to a number of assumptions that would be subjective and uncertain. The Board believes that the evaluation of options based upon speculative assumptions would not be meaningful and would be misleading to shareholders.*



## Directors' and Chief Executive's Interests and Short Positions

As at 30 June 2005, the Directors, the Chief Executive of the Company and their respective associates had the following interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"):

### (a) Personal interests in Shares

Name of director	Number of Shares	Percentage of issued share capital
Mr. Kong Qingping	3,600,000	0.056%
Mr. Yao Peifu	4,000,000	0.063%
Mr. Cui Duosheng	2,940,000	0.046%
Mr. Wu Jianbin	1,640,000	0.026%
Mr. Jin Xinzong <i>(appointed on 22 March 2005)</i>	270,000	0.004%
Dr. Li Kwok Po, David	200,000	0.003%

### (b) Interests in options to acquire Shares

Save as disclosed in the aforementioned section, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 30 June 2005, any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

## Substantial Shareholders

At 30 June 2005, the following parties (other than directors or the chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of ordinary shares of HK\$0.1 each	Percentage of interest
China Overseas Holdings Limited (“COHL”)	3,269,174,800	51.19%
China State Construction Engineering Corporation (“CSCEC”)	3,269,174,800	51.19%

COHL is a direct wholly owned subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,269,174,800 Shares directly owned by COHL.

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2005.

## Remuneration Committee

The Board has established a remuneration committee comprising Mr. Cui Duosheng, Vice Chairman and executive director of the Company, together with three independent non-executive directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, and Mr. Wong Ying Ho, Kennedy.

The terms of reference of the remuneration committee is in line with the code provisions mentioned in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. The remuneration committee is mainly responsible for making recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management as well as determining the remuneration of all executive directors and senior managements and making recommendations to the Board of the remuneration of non-executive directors.

## Model Code for Directors' Share Dealing ("Model Code")

All directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standards set out in the Model Code throughout the review period.

### Corporate Governance

During the period under review, other than stated below, the Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules which became effective on 1 January 2005.

1. Code Provision A.2.1 – This Code Provision stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of the Chairman and the Chief Executive of the Company are not separated and are performed by the same individual, Mr. Kong Qingping.

The Board of the Company comprises experienced and high caliber individuals who will meet regularly to consider major matters affecting the operations of the Company. The balance of power and authority is ensured by the operations of the Board and the Board considers that the current structure will not impair the balance of power and authority between the Board and the Management of the Company. The Board of the Company also believes that the current structure will enable the Company to make and to facilitate the implementation of decisions promptly and efficiently.

2. Code Provision A.4.1 – This Code Provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement and re-election in accordance with the Articles of Association of the Company which provides that at each annual general meeting one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as executive chairman or as a managing director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

The Company will take steps to comply with this code provision soon.

## Corporate Governance *(continued)*

3. Code Provision A.4.2 - This Code Provision stipulates that all directors appointed to fill a casual vacancy shall hold office until the first next general meeting after their appointment, and are then subject to retirement and re-election in accordance with the Articles of Association of the Company, particulars as mentioned above.

The Articles of Association of the Company provides that any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

The Company will take steps to comply with this code provision soon.

4. Code Provision C.3.3 – This Code Provision stipulates that the terms of reference of the audit committee should include at least the duties as stated in Code Provision C.3.3.

The existing terms of reference of the audit committee of the Company are under review and will be revised before the end of this year so as to be in full compliance with Code Provision C.3.3 accordingly.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the period, the Board of the Company have exercised powers of the Company to make repurchases of its own shares for a total of 58,742,000 shares on the Stock Exchange as follows, all of which were cancelled:

	<b>Number of Shares</b>	<b>Highest Price Paid</b> <i>HK\$</i>	<b>Lowest Price Paid</b> <i>HK\$</i>	<b>Total Consideration</b> <i>HK\$</i>
April 2005	7,210,000	1.62	1.59	11,517,740
May 2005	<u>51,532,000</u>	1.60	1.46	<u>78,089,020</u>
	<u><u>58,742,000</u></u>			<u><u>89,606,760</u></u>

## **Review of Interim Report**

The unaudited interim report of the Group for the six months ended 30 June 2005 was reviewed by the members of the Audit Committee of the Company which comprises three independent non-executive directors.

On behalf of the Board, I would like to take this opportunity to express our gratitude for the support of the shareholders and our business partners and the contribution of our staff.

By order of the Board

**Kong Qingping**

*Chairman and Chief Executive*

Hong Kong, 26 August 2005