



中國海外發展有限公司

CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code: 688

2006 Interim Report



Contents

	<i>Page</i>
Corporate Structure	2
Board of Directors, Honourable Chairman and Committees	3
Corporate and Shareholders' Information	4
Chairman's Statement	5
Management Discussion and Analysis	8
Consolidated Results	
Consolidated Income Statement	15
Condensed Consolidated Balance Sheet	17
Condensed Consolidated Cash Flow Statement	19
Consolidated Statement of Changes in Equity	20
Notes to the Financial Statements	22
Others	
Interim Dividends	31
Closure of Register of Members	31
Share Capital	31
Information on Share Options	32
Directors' and Chief Executive's Interests and Short Positions	35
Substantial Shareholders	37
Model Code for Securities Transactions by Directors	38
Corporate Governance	38
Purchase, Sale or Redemption of the Company's Listed Securities	40
Review of Interim Report	40

Corporate Structure



Note: Property development in 15 major cities in Mainland China, Hong Kong and Macau includes Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Chongqing, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Hong Kong and Macau.

Board of Directors, Honourable Chairman and Committees

Chairman & Chief Executive	Kong Qingping
Honourable Chairman	Sun Wen Jie [#]
Executive Directors	Cui Duosheng <i>Vice Chairman</i> Yao Peifu <i>Vice Chairman</i> Hao Jian Min Wu Jianbin Xiao Xiao Jin Xinzhong Wang Man Kwan, Paul
Non-Executive Director	Cheung Shiu Kit
Independent Non-Executive Directors	Li Kwok Po, David <i>GBS, OBE, JP</i> Lam Kwong Siu Wong Ying Ho, Kennedy <i>BBS, JP</i>
Authorized Representatives	Kong Qingping Yao Peifu Wu Jianbin <i>(Alternate authorized representative)</i>
Audit Committee	Li Kwok Po, David* <i>GBS, OBE, JP</i> Lam Kwong Siu Wong Ying Ho, Kennedy <i>BBS, JP</i>
Remuneration Committee	Cui Duosheng* Li Kwok Po, David <i>GBS, OBE, JP</i> Lam Kwong Siu Wong Ying Ho, Kennedy <i>BBS, JP</i>
Nomination Committee	Kong Qingping* Cui Duosheng Li Kwok Po, David <i>GBS, OBE, JP</i> Lam Kwong Siu Wong Ying Ho, Kennedy <i>BBS, JP</i>

[#] not a director of the Company

* Committee Chairman

Corporate and Shareholders' Information

Corporate Information

Registered Office

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Telephone : (852) 2823 7888
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Website : www.coli.com.hk

Qualified Accountant

Wang Man Kwan, Paul

Company Secretary

Keith Cheung, Solicitor

Registrar

Standard Registrars Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong
Telephone : (852) 2980 1768
Facsimile : (852) 2861 0285
E-mail : is.enquiries@tricolor.com.hk

Legal Advisor

Johnson Stokes & Master

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Communications, Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Ltd.
Hang Seng Bank Limited
CITIC Ka Wah Bank Limited
The Bank of East Asia, Limited

Shareholders' Information

Share Listing

The Company's shares, bonds and warrants are listed on The Stock Exchange of Hong Kong Limited ("SEHK").

Stock Code

Shares

SEHK : 688
Bloomberg : 688HK
Reuters : 0688.HK

Bond

SEHK : China OVSN1207
Code: 2521
Bloomberg : EF0142101
Reuters : KY022045903
CINS-G2155ZAA2

Warrants

SEHK : CHI OVERS W0707
Code: 580
Bloomberg : 580HK
Reuters : 0580.HK

Investor Relations

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Financial Calendar for 2005/06

Interim results : 21 August 2006
announcement
Share register : 13 September 2006
closed : to 15 September 2006
(both days inclusive)
Interim dividend : 28 September 2006
payable

Chairman's Statement

The world economy sustained a steady and rapid growth in the first six months of 2006, despite of existing inequilibrium. The overall economic development of Hong Kong and Macau is optimistic while that of the mainland China has also attained continuous growth. The GDP of the mainland China in the first half of the year has increased 10.9% compared with the same period of the previous year. In addition to this, the property selling price of 70 medium to large scale cities has increased 5.8% in June as compared to the same period last year.

The Board believes the Group will benefit from the continuous booming economy of the mainland China. Focusing on its core business in property development, the Group will implement its business strategy of developing its network throughout the key cities in the mainland China. Through this business network spreading over 12 key cities of the mainland China, Hong Kong and Macau, the Group is able to implement its business expansion plan and the ability to balance its market risks will be strengthened as well. With strong brand and good marketing, the Group strives to further stimulate its sales and to use its best efforts to maintain a higher profitability. Together with the sustained high rental rate in respect of property rental business, the Group has acquired a stable source of income and cash flow.

For the six months ended 30 June 2006, the total turnover, including associates and jointly controlled entities, of the Group was HK\$4.50 billion, representing an increase of 45.9% as compared to the corresponding period last year. The turnover, including associates and jointly controlled entities, of the Group's property development business in the mainland China amounted to HK\$3.75 billion, representing an increase of 66.1% as compared to the corresponding period last year. The turnover of Hong Kong and Macau property development business amounted to HK\$110 million, representing an increase of 28.0% as compared to the corresponding period of last year.

The operating profit of the Group (before deducting the unallocated corporate expenses of HK\$60 million and finance cost of HK\$174 million was HK\$982 million) was HK\$748 million, representing an increase of 15.7% as compared to the corresponding period of last year. The operating profit of property development business in the mainland China amounted to HK\$753 million, representing an increase of 38.4% as compared to the corresponding period last year. The operating profit of Hong Kong and Macau property development business amounted to HK\$18 million, representing a decline of 34.3% as compared to the corresponding period of last year.

During the period reported, the gross property sales of the Group was approximately HK\$7.21 billion, the gross floor area (GFA) sales was 797,600 sq.m., in which sales amounted to approximately HK\$6.46 billion in the mainland China, representing an increase of 163.6% compared over the corresponding period of last year. A total of 6 new properties was completed for occupancy with a total GFA of 478,200 sq.m.. The sales of properties in Hong Kong and Macau were also promising.

During the period, the Group grasped the opportunity to newly acquire 10 parcels of land in Suzhou, Nanjing, Xi'an, Beijing and Changchun, which added a GFA of 2,960,000 sq.m. to the total land reserve up to 12,550,000 sq.m.. Thereafter, the land bank will guarantee a sufficient supply of high quality land for future development.

The Group's excellent domestic and overseas financing channels also provided adequate financial support to its further development. In addition, the issuance of bonus warrant in July 2006 has signified the strengthened capability of the Group's capital reserve and the optimization of its capital structure.

In the period reported, the Group has successfully maintained the investment grade ratings issued by Standard & Poor's and Moody's.

Prospects

The real estate industry has been a key pillar of the Chinese economy. The related departments of Chinese government have already implemented a series of macro control measures to the real estate industry in respect of its taxation, financing and land supply. The purpose of such measures is to protect the benefit of the consumers and encourage long term investment activities, so as to restrict short term speculations. Stringent requirements and conditions on property developers clearly demonstrated that Chinese government is proactively striving for a continual healthy development of property industry. This helps to make a significant and positive impact on the whole real estate industry in the long run, which in turns provides opportunities for resources reallocation within this sector. It is expected that the development of the real estate industry will be in a regulatory manner, while the excellent property developers will have great development opportunities under this favourable environment. Apart from these, market demand and supply will further maintain a balance and match the practical needs of customers, and therefore, a sustainable, stable and rational orderly market will be established. Driven by the rapid urbanization progress and increasing demand of housing, the real estate industry in the mainland China will have great potential for development in the long run.

The Board is fully confident on the Group to become a sizable and strong nationwide real estate developer with certain international recognition. Under the support from a group of quality professionals, together with an Excellent Quality (精品) brand recognition, abundant domestic and overseas financial resources, international corporate governance policies and sound market judgment, the Group is continuously strengthening its core competitiveness and has entered the stage of rapid growth. With the launch of numerous property projects in the second half of the year, it is expected that no less than 1,680,000 sq.m. will be sold, and properties with a total of 1,980,000 sq.m. will also be completed. The mainland China property market has already started a new era. Following the competition rule of survival for the fittest, the Group is expected to capture new opportunities ahead for development.

While actively disposing its non-core businesses, the Group will take new opportunities arising from the resource reallocation of the property industry due to macro-control measures implement in the mainland China. The Group will continue to carry out feasibility studies on other suitable target cities and projects. Taking into account of right timing, satisfactory sales and prudent financial policies, the Group will consider new land acquisition opportunities to create new profit growth points, so as to realize the optimal economies of scale and proactively strengthen the Group's nationwide strategies. By August this year, the Group has signed a Memorandum of Understanding, intending to acquire a new project in Chongqing, which is one of the four municipality cities directly under the Central Government and one of key cities in the Western part of the mainland China. The new move aims to positively develop the economic zone in the Western part of Central China, and to further enhance the market synergy and the economies of scale of the Group. With the overall consideration between the scale and profits, the Group will further strengthen its regional coverage. While providing customers with quality products and excellent service, the Group is also striving for the best return for its shareholders.

Management Discussion and Analysis

Overall Performance

During the period reported, the turnover of the Group's continuing operations was HK\$3.60 billion (the corresponding period in 2005: HK\$2.73 billion), representing an increase of 31.8% as compared to the corresponding period last year. The turnover, including associates and jointly controlled entities, amounted to HK\$4.50 billion, representing an increase of 45.9% as compared to the corresponding period last year. The operating profit after deducting the unallocated corporate expenses of HK\$60 million and finance cost of HK\$174 million was HK\$748 million (the corresponding period in 2005: HK\$646 million), representing an increase of 15.7% as compared with the corresponding period last year. Profit attributable to equity shareholders amounted to HK\$852 million (the corresponding period in 2005: HK\$576 million), representing an increase of 48.0%. Basic earnings per share from continuing operations was HK13.26 cents (the corresponding period in 2005: HK8.46 cents) while diluted earnings per share was HK13.06 cents (the corresponding period in 2005: HK8.33 cents).

As at 30 June 2006, the equity attributable to equity shareholders of the Group amounted to HK\$11.86 billion (31 December 2005: HK\$11.08 billion) while the book value of net asset per share was HK\$ 1.83 (31 December 2005: HK\$1.73). As of 21 July 2006, the major shareholder of the Company has fully exercised the bonus warrants and the capital of the Group is increased by HK\$1.8 billion.

Income

The operating income from property development business was HK\$3.10 billion. The operating income from the mainland China property development business increased to HK\$2.99 billion due to the faster growth of property sales in the mainland China market, making the greatest proportion of 83.0% of the total turnover and representing an increase of 32.4% over the corresponding period last year. The major jointly controlled project of the Group was One Honey Lake project, a joint venture project with Sino Land. The Group's attributable interest was 50%. The operating income from this project was HK\$762 million. The operating income from property development business in Hong Kong and Macau increased to HK\$110 million, representing an increase of 28.0% as compared to the corresponding period last year.

Rental income of properties was HK\$61 million, representing a decrease of 8.8% as compared to the corresponding period last year.

Income from Infrastructure investment was HK\$12 million representing a decrease of 10.5% as compared to the corresponding period last year.

Income from other operations amounted to HK\$427 million.

Profit from Operations

During the period reported, the operating profit (before deducting the unallocated corporate expenses of HK\$60 million and finance cost of HK\$170 million was HK\$982 million) was HK\$748 million, representing an increase of 15.7% as compared to the corresponding period last year. The operating profit from PRC property development business amounted to HK\$753 million, representing an increase of 38.4% as compared to the corresponding period last year. The profit from the PRC property development business was mainly attributable to the sale of 6 projects completed during the period. The overall gross profit margin of property development business in the mainland China was 31.5% in the first half of 2006, increased by 7.0% as compared to the corresponding period in 2005. The property development business in Hong Kong and Macau remained stable and recorded a profit of HK\$18 million.

Investment properties and infrastructure-related investment continued to provide a stable source of income to the Group, contributing an operating profit of HK\$57 million and HK\$9 million respectively.

Unallocated Administrative Expenses

The unallocated administrative expenses of the Group for the first half of 2006 was HK\$60 million, representing an increase of 31.5% as compared to the corresponding period last year.

Property Development

Various macro-control measures implemented by Chinese government during the first half of the year for cooling the overheated property market began to show effects, and the property market was further regulated. The property markets in key cities and areas where the Group operates continued to grow, thus bringing a healthy and rapid growth for property sales in mainland China.

During the period reported, property contract sales of the Group was HK\$7.21 billion, representing an increase of 140.3% over the corresponding period in 2005. The total gross floor area sold amounted to 797,600 sq.m., representing an increase of 53.4% over the corresponding period of last year.

Property contract sales in the mainland China amounted to HK\$6.46 billion, representing an increase of 163.6% over the same period of last year. The total gross floor area sold was 763,800 sq.m., representing an increase of 66% over the same period of last year.

- During the period reported, six projects with a total gross floor area of 478,200 sq.m. were completed in the mainland China, of which 92% or 438,800 sq.m. was sold with a total sales amount of HK\$4.09 billion. The six projects completed include:

City	Name of Project	Gross Floor Area (’000 sq.m.)
Guangzhou	Top View North Tower	12
Guangzhou	Starcrest Phase I	148
Chengdu	International Community No. 1 Land Plot	29
Chengdu	Greenwich Village Area B	146
Beijing	St. Andrews	99
Shenzhen	One HoneyLake Phase I (100%)	44
		<hr/>
Total		<u>478</u>

- In addition, the sales of the Group’s property held for sale before 2005 was HK\$1.1 billion with a total gross floor area of 172,600 sq.m.. By the end of June, property held for sale was 140,000 sq.m. in the mainland China.

Contract sales in Macau and Hong Kong was HK\$753 million, representing an increase of 36.9% over the same period of last year, of which the sales of “la Cité” project in Macau amounted to approximately HK\$660 million.

Following pre-sales of new properties in the mainland China to be launched in the second half of the year, the total property sales area will be achieved a certain level of increment for the whole year.

Land bank

During the period reported, the Group newly acquired 10 parcels of land in the mainland China with total land cost of HK\$8 billion and a total gross floor area of approximately 2,960,000 sq.m.. The parcels of land acquired are for residential development and mainly located in either provincial or key cities with strong economic growth momentum, including Suzhou, Nanjing, Xi'an, Beijing and Changchun.

On 30 June 2006, the Group had a total land reserve of 12.55 million sq.m. in 14 cities or regions in the mainland China, Hong Kong and Macau which will provide continual developments for the next 4 to 5 years.

New Land Reserve Added in the first half of 2006

City	Name of Project	Attributable			
		Interest	Site Area (<i>'000 sq.m.</i>)	GFA (<i>'000 sq.m.</i>)	Land Cost (<i>HK\$ million</i>)
Suzhou	Zhong Hai Shui Xiang Lin Li Lot No 7	100%	267.4	311.6	991
Suzhou	Zhong Hai Yuan Qu Lot No. 8	100%	107.5	176.9	337
Suzhou	Zhong Yang He Project	100%	214.1	446.6	556
Changchun	Guang Ji Suo Project	100%	65.0	89.5	173
Beijing	Yu He Project	51%	140.8	101.0	1,520
Beijing	Shenggu Phase III	93.75%	23.0	105.0	411
Beijing	Xihan-Libao Project	93.75%	57.1	279.5	1,378
Nanjing	Feng Huang Xijie	100%	169.6	680.9	1,637
Nanjing	Dongmiao Fengan Project	100%	22.2	112.3	231
Xi'an	Qujiang Project	100%	303.0	655.4	785
Total			<u>1,369.7</u>	<u>2,958.7</u>	<u>8,019</u>

Property Investment

During the period reported, the Group's rental properties in Hong Kong, including China Overseas Building and Horae Place, Dongshan Plaza in Guangzhou and Haixing Plaza in Shanghai maintained a high occupancy rate. Total rental income for the period was HK\$61 million. Due to the disposal of Shanghai Square in Shanghai, the total rental income decreased by 8.8% as compared to the corresponding period last year. The operating profits recorded was HK\$57 million, representing a decrease of 67.8% as compared to the corresponding period last year.

Total rental income arising from Hong Kong amounted to HK\$34 million, while from the mainland China amounted to HK\$27 million, accounting for 55.0% and 45.0% to the total rental income respectively.

Infrastructure Investment

During the period reported, infrastructure and municipal facilities projects continued to contribute steady operating profit to the Group. The operating income recorded was HK\$12 million, representing a decrease of 10.5% as compared to the corresponding period last year. The profit from operations was HK\$9 million, representing a decrease of 24.5% as compared to the corresponding period last year.

Liquidity, Financial Resources and Gearing

The Group adopted a prudent financial policy and a centralized financial control system on capital funds by strictly monitoring the gearing ratio and best practice in financial management.

On 30 June 2006, the net gearing ratio of the Group was 34.3% (31 December 2005: 39.2%) (calculated on the basis of dividing the difference between bank loans and guaranteed notes payable and the bank balances and cash by shareholder's equity). In the first half of the year, the finance cost was increased as compared to the corresponding period of last year due to increase of market borrowings rate.

The Group has obtained the approval of shareholders at the Extraordinary General Meeting held on 12 July 2006 for a bonus issue of warrant, on the basis of 1 warrant for every 8 shares held by shareholders, and in total 811,198,451 warrants have been issued. Each warrant entitles the holder to subscribe for 1 share at HK\$4.5 within one-year exercise period ending on 17 July 2007. The warrants have been listed at the Hong

Kong Exchange on 18 July 2006. As at 21 July 2006, the substantial shareholders of the Group have fully exercised the bonus warrants to further increase the financial strength of the Group and optimize the capital structure, lowering net gearing ratio, thus giving further support to the business development.

As at 30 June 2006, the consolidated bank loans and guaranteed notes payable of the Group amounted to HK\$5.465 billion (31 December 2005: HK\$5.201 billion) and HK\$2.322 billion (31 December 2005: HK\$2.320 billion) respectively, of which 53.6% was denominated in Hong Kong dollars, 29.8% was denominated in U.S. dollars and 16.6% was denominated in Renminbi.

As at 30 June 2006, the Group had cash and bank balances amounted to approximately HK\$3.713 billion (of which 14.8% was denominated in Hong Kong dollars, 8.8% denominated in U.S. dollars, 73.6% was denominated in Renminbi and 2.8% was denominated in MOP) and unutilized banking facilities amounted to approximately HK\$3.121 billion. In the first half of 2006, the Group signed agreements with Head Office of the China Construction Bank, Shenzhen Branch of Bank of Communications and Shenzhen Branch of China Merchants Bank respectively to secure an aggregate amount of RMB2.5 billion credit facilities, thus substantially increasing the standby banking facilities of the Group with a much lower cost. On 1 August 2006, the Group also entered into a strategic co-operation framework agreement for an amount of RMB5 billion with Bank of China Head Office, which provides sufficient financial resources for the implementation of its business plan and development strategies.

Except for the HK\$720 million out of the above loans, other bank borrowings were made on floating rates. To reduce the exposure to fluctuations in interest rate, the Group entered into an interest swap agreement of HK\$900 million in 2003. A swap agreement was made (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%. Apart from these, the Group has no other derivative exposure either for hedging or speculative purpose. Taking into consideration the potential fluctuation of exchange rates, the Group will carefully consider an appropriate timing to enter into certain currency and interest rate swap arrangements so as to minimize the risks.

Employees

As at 30 June 2006, the Group had 6,592 employees, in which 328 of them were based in Hong Kong and 6,264 in the mainland China. 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 of the Group. The Management by Performance System started to show its results.

The Group strongly believes it is part of its corporate citizenship to contribute to the society by creating a challenging yet harmonic working environment, offering development opportunities to our staff, caring for the staff and providing them with proper benefits, and sharing with them the results of our operations. The Group has issued various training policies to provide our staff with more training opportunities. In the first half of the year, more than 500 training courses were held.

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 2005, no detailed disclosures are made herein.

Consolidated Results

Consolidated Income Statement

The unaudited consolidated results of the Group for the six months ended 30 June 2006 and the comparative figures for the corresponding period in 2005 are as follows:

	Notes	Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
			<i>(Restated)</i>
Turnover			
Group continuing operations		3,600,072	2,730,770
Associates and Jointly controlled entities		902,017	355,097
		<u>4,502,089</u>	<u>3,085,867</u>
Continuing operations			
Turnover		3,600,072	2,730,770
Cost of sales		(2,142,874)	(1,656,717)
Direct operating expenses		(329,300)	(214,293)
		<u>1,127,898</u>	<u>859,760</u>
Increase in fair value of investment properties		–	118,392
Other operating income		103,673	16,021
Selling and distribution costs		(101,202)	(64,231)
Administrative expenses		(208,910)	(183,630)
		<u>921,459</u>	<u>746,312</u>
Operating profit	(3)		746,312
Finance costs		(173,759)	(100,061)
Share of (loss) profits of			
Associates		(4,867)	3,629
Jointly controlled entities		325,187	34,159
		<u>1,068,020</u>	<u>684,039</u>
Profit before tax			684,039
Income tax expense	(4)	(260,842)	(123,808)
		<u>807,178</u>	<u>560,231</u>
Discontinued operation			
Profit for the period from discontinued operations	(5)	–	32,509
		<u>807,178</u>	<u>592,740</u>

Consolidated Income Statement *(continued)*

		Six months ended 30 June	
	<i>Notes</i>	2006	2005
		HK\$'000	<i>HK\$'000</i>
			<i>(Restated)</i>
Attributable to:			
Equity shareholders of the Company		852,377	575,950
Minority interests		(45,199)	16,790
		<u>807,178</u>	<u>592,740</u>
Interim dividends (proposed HK4 cents, 2005: HK3 cents)	(6)	<u>259,584</u>	<u>191,617</u>
Special dividend	(6)	<u>–</u>	<u>424,017</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(7)		
Basic			
From continuing and discontinued operations		<u>13.26</u>	<u>8.97</u>
From continuing operations		<u>13.26</u>	<u>8.46</u>
Diluted			
From continuing and discontinued operations		<u>13.06</u>	<u>8.83</u>
From continuing operations		<u>13.06</u>	<u>8.33</u>

Condensed Consolidated Balance Sheet

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
<i>Notes</i>	(Unaudited)	<i>(Audited)</i>
Non-current Assets		
Investment properties	1,571,560	1,571,560
Property, plant and equipment	1,269,581	1,213,615
Prepaid lease payments for land	196,822	199,801
Interests in associates	224,844	225,397
Interests in jointly controlled entities	1,603,936	1,690,000
Interests in syndicated property project companies	714,577	696,001
Interests in infrastructure projects	138,390	148,131
Other assets	46,680	49,396
Goodwill	64,525	64,525
	5,830,915	5,858,426
Current Assets		
Stock of properties	15,472,615	13,609,731
Prepaid lease payments for land	10,559	10,923
Trade and other receivables	1,210,346	1,000,156
Other current assets	1,877,546	1,504,084
Tax prepaid	41,367	10,853
Bank balances and cash	3,686,550	3,147,767
	22,298,983	19,283,514
Current Liabilities		
Trade and other payables	3,191,191	2,868,230
Forward property sales deposits	4,075,588	2,187,187
Rental and other deposits	61,528	94,681
Amounts due to associates	152,240	154,731
Tax liabilities	381,856	341,473
Bank loans – due within one year	1,201,981	1,921,731
	9,064,384	7,568,033
Net Current Assets		
	13,234,599	11,715,481
	19,065,514	17,573,907

Condensed Consolidated Balance Sheet (continued)

	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
<i>Notes</i>	(Unaudited)	<i>(Audited)</i>
Capital and Reserves		
Share capital	648,959	639,798
Share premium and reserves	11,212,261	10,442,827
Equity attributable to equity shareholders of the Company	11,861,220	11,082,625
Minority interest	(624,439)	(302,379)
Total Equity	11,236,781	10,780,246
Non-current Liabilities		
Bank loans – due after one year	4,263,398	3,279,230
Guaranteed notes payable	2,321,943	2,320,445
Amounts due to minority shareholders	920,600	915,963
Deferred tax liabilities	322,792	278,023
	7,828,733	6,793,661
	19,065,514	17,573,907

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>(Restated)</i>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	782,125	(1,040,889)
NET CASH USED IN INVESTING ACTIVITIES	(175,171)	(23,081)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(95,316)	265,719
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	511,638	(798,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,126,381	2,571,076
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	15,605	–
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,653,624</u>	<u>1,772,825</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	3,686,550	1,824,492
Less: restricted bank balances	(32,926)	(50,593)
	<hr/>	<hr/>
	3,653,624	1,773,899
Bank loans and overdrafts	–	(1,074)
	<hr/>	<hr/>
	<u>3,653,624</u>	<u>1,772,825</u>

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital redemption reserve	Other reserves	PRC statutory reserve	Dividend reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005 as originally stated	637,073	6,702,896	12,924	923	115,666	254,829	2,707,421	10,431,732	-	-10,431,732
Effects of changes in accounting policies	-	-	-	(308,391)	-	-	123,661	(184,730)	(447,553)	(632,283)
Transfer between categories	-	-	-	-	-	(254,829)	254,829	-	-	-
As restated	637,073	6,702,896	12,924	(307,468)	115,666	-	3,085,911	10,247,002	(447,553)	9,799,449
Net exchange differences on translation of foreign operations	-	-	-	392	-	-	-	392	-	392
Transferred upon disposal of investments	-	-	-	393,451	-	-	(393,451)	-	-	-
Net income recognized directly in equity	-	-	-	393,843	-	-	(393,451)	392	-	392
Profit for the period	-	-	-	-	-	-	575,950	575,950	16,790	592,740
Total recognised income and expense for the period	-	-	-	393,843	-	-	182,499	576,342	16,790	593,132
2004 final dividend paid	-	-	-	-	-	-	(254,829)	(254,829)	-	(254,829)
Repurchase of own shares	(5,874)	-	5,874	-	-	-	(78,040)	(78,040)	-	(78,040)
Issue of shares	7,470	64,262	-	(1,272)	-	-	-	70,460	-	70,460
Recognition of share-based payments	-	-	-	5,347	-	-	-	5,347	-	5,347
Contribution from equity participants	-	-	-	-	-	-	-	-	80,718	80,718
Eliminated on disposal of subsidiaries	-	-	-	-	-	-	-	-	(117,503)	(117,503)
2005 special dividend paid	-	-	-	-	-	-	(424,017)	(424,017)	-	(424,017)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(958)	(958)
Transfer to PRC statutory reserve	-	-	-	-	33,087	-	(33,087)	-	-	-
At 30 June 2005 as restated	638,669	6,767,158	18,798	90,450	148,753	-	2,478,437	10,142,265	(468,506)	9,673,759
Net exchange differences on translation of foreign operations	-	-	-	159,962	-	-	-	159,962	10,000	169,962
Share of minority shareholders' reserve movements	-	-	-	(10,000)	-	-	-	(10,000)	-	(10,000)
Share of associates' reserve movements	-	-	-	3,251	-	-	-	3,251	-	3,251
Surplus on revaluation reclassification of properties	-	-	-	26,882	-	-	-	26,882	-	26,882
Deferred tax on revaluation of properties	-	-	-	(4,545)	-	-	-	(4,545)	-	(4,545)
Change in fair value of investments	-	-	-	1,069	-	-	-	1,069	-	1,069
Transferred upon disposal of investments	-	-	-	(1,570)	-	-	-	(1,570)	-	(1,570)

Consolidated Statement of Changes in Equity (continued)

	Share capital	Share redemption premium	Capital reserve	Other reserves	PRC statutory reserve	Dividend reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net income recognised directly in equity	-	-	-	175,049	-	-	-	175,049	10,000	185,049
Profit for the period	-	-	-	-	-	-	958,734	958,734	121,884	1,080,618
Total recognised income and expense for the period	-	-	-	175,049	-	-	958,734	1,133,783	131,884	1,265,667
Repurchase of own shares	-	-	-	-	-	-	(11,990)	(11,990)	-	(11,990)
Issue of shares	1,129	11,658	-	(3,189)	-	-	-	9,598	-	9,598
Share issue expenses	-	(64)	-	-	-	-	-	(64)	-	(64)
Recognition of share-based payments	-	-	-	817	-	-	-	817	-	817
Contribution from equity participants	-	-	-	-	-	-	-	-	34,243	34,243
Eliminated on disposal of subsidiaries	-	-	-	-	-	-	-	-	9	9
2005 interim dividend paid	-	-	-	-	-	-	(191,784)	(191,784)	-	(191,784)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(9)	(9)
Transfer to PRC statutory reserve	-	-	-	-	8,222	-	(8,222)	-	-	-
At 31 December 2005	639,798	6,778,752	18,798	263,127	156,975	-	3,225,175	11,082,625	(302,379)	10,780,246
Net exchange differences on translation of financial statements	-	-	-	62,460	-	-	-	62,460	1,400	63,860
Change in fair value of investments	-	-	-	(4,625)	-	-	-	(4,625)	-	(4,625)
Net income recognised directly in equity	-	-	-	57,835	-	-	-	57,835	1,400	59,235
Net profit for the period	-	-	-	-	-	-	852,377	852,377	(45,199)	807,178
Total recognised income and expense for the period	-	-	-	57,835	-	-	852,377	910,212	(43,799)	866,413
2005 final dividend paid	-	-	-	-	-	-	(257,390)	(257,390)	-	(257,390)
Issue of shares	9,161	118,234	-	(1,533)	-	-	-	125,862	-	125,862
Share issue expenses	-	(89)	-	-	-	-	-	(89)	-	(89)
Contribution from equity participants	-	-	-	-	-	-	-	-	2,887	2,887
Eliminated on acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	(278,517)	(278,517)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(2,631)	(2,631)
At 30 June 2006	648,959	6,896,897	18,798	319,429	156,975	-	3,820,162	11,861,220	(624,439)	11,236,781

Notes to the Financial Statements

For the six months ended 30 June 2006

(1) Basis of preparation and accounting policies

These unaudited condensed consolidated 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”).

These condensed interim financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations which are relevant to its operations are mandatory for financial year ending 31 December 2006.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effect of changes in foreign exchange rates
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment

The adoption of new/revised HKAS 19 (Amendment), 21 (Amendment), 39 (Amendment), HKFRS 4 (Amendment), 6 and HK(IFRIC) – Int 4, 5 and 6 did not result in substantial changes to the Group’s accounting policies.

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies”
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives

The 2005 comparatives (originally shown in the Consolidated Income Statement of 2005 Interim Report) have been restated as a result of:

- I. the allocation of administration expenses between continuing operations and discontinued operations; and
- II. the adjustment on fair value of financial liabilities.

(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
Infrastructure	– investments in entities undertaking toll highways
Construction	– building and civil construction, foundation engineering and project management

(2) Business segments (continued)

Segment information about these businesses is presented below:

Period Ended 30 June 2006

	Continuing operations				Dis-continued operations	Intragroup eliminations	Consolidated
	Property development	Property investment	Infrastructure	Other operations	Construction		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External	3,099,233	61,286	12,363	427,190	-	-	3,600,072
Inter-segment	-	604	-	47,870	-	(48,474)	-
Total	<u>3,099,233</u>	<u>61,890</u>	<u>12,363</u>	<u>475,060</u>	<u>-</u>	<u>(48,474)</u>	<u>3,600,072</u>
RESULTS							
Segment results	<u>771,236</u>	<u>57,832</u>	<u>8,636</u>	<u>83,401</u>	<u>-</u>	<u>(8,267)</u>	912,838
Interest and other income							68,837
Unallocated corporate expenses							<u>(60,216)</u>
Operating profit							921,459
Finance costs							<u>(173,759)</u>
Share of (loss) profit of							
Associates	(4,867)	-	-	-	-	-	(4,867)
Jointly controlled entities	307,440	-	17,747	-	-	-	<u>325,187</u>
Profit before tax							1,068,020
Income tax expense							<u>(260,842)</u>
Profit for the period							<u>807,178</u>

(2) Business segments (continued)

Period Ended 30 June 2005

	Continuing operations				Dis-continued operations	Intragroup eliminations	Consolidated
	Property development	Property investment	Infrastructure	Other operations	Construction		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(restated)
REVENUE							
External	2,344,398	67,177	13,817	305,378	959,417	-	3,690,187
Inter-segment	-	431	-	114,816	-	(115,247)	-
Total	<u>2,344,398</u>	<u>67,608</u>	<u>13,817</u>	<u>420,194</u>	<u>959,417</u>	<u>(115,247)</u>	<u>3,690,187</u>
RESULTS							
Segment results	<u>571,720</u>	<u>178,122</u>	<u>11,445</u>	<u>15,244</u>	<u>32,509</u>	<u>(431)</u>	808,609
Interest and other income							16,017
Unallocated corporate expenses							<u>(45,805)</u>
Operating profit							778,821
Finance costs							<u>(100,061)</u>
Share of (loss) profit of							
Associates	261	-	-	3,368	-	-	3,629
Jointly controlled entities	(1,279)	-	34,436	1,002	-	-	<u>34,159</u>
Profit before tax							716,548
Income tax expense							<u>(123,808)</u>
Profit for the period							<u>592,740</u>

(3) Operating profit

Six months ended	
30 June	
2006	2005
<i>HK\$'000</i>	<i>HK\$'000</i>

Operating profit has been arrived at
after charging (crediting):

Depreciation	<u>54,106</u>	<u>53,747</u>
Interest income	<u>(42,982)</u>	<u>(8,266)</u>

(4) Income tax expense

Six months ended	
30 June	
2006	2005
<i>HK\$'000</i>	<i>HK\$'000</i>

Continuing operations		
Hong Kong profits tax	5,525	3,936
PRC income tax	259,407	128,783
	<u>264,932</u>	<u>132,719</u>
Deferred taxation	(4,090)	(8,911)
Income tax relating to continuing operations	<u>260,842</u>	<u>123,808</u>
Discontinued operation		
Hong Kong Profits tax	–	4,121
PRC income tax	–	–
Income Tax relating to discontinued operation	<u>–</u>	<u>4,121</u>
	<u>260,842</u>	<u>127,929</u>

Hong Kong profits tax is calculated at 17.5% (2005: 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 Group sold the construction business in 2005. The results of the discontinued operation for the six months ended 30 June 2005 are as follows:

	<i>HK\$'000</i>
Turnover	959,417
Cost of sales	<u>(899,588)</u>
	59,829
Other operating income	4,288
Administrative expenses	<u>(28,651)</u>
Operating profit	35,466
Finance costs	(132)
Share of results of associates	<u>1,297</u>
Profit before tax	36,631
Income tax expense	<u>(4,122)</u>
Profit for the period	<u><u>32,509</u></u>

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

(6) Dividends

The Board declared the payment of an interim dividend for 2006 of HK4 cents per share (2005: HK3 cents per share).

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 2005 in the form of a distribution in specie of the consideration shares 1 CSCIHL share for every 18 shares held.

(7) 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 shareholders of the Company of HK\$852,377,000 (2005: HK\$575,950,000) and on the weighted average number of 6,426,641,000 (2005: 6,420,062,000) 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 shareholders of the Company of HK\$852,377,000 (2005: HK\$575,950,000) and on the weighted average number of 6,528,259,000 (2005: 6,523,940,000) ordinary shares in issue and issuable after adjusting for the weighted average number of dilutive potential ordinary shares of 101,618,000 (2005: 103,878,000) 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 shareholders of the Company is based on the following information:

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
	<hr/>	
	<i>(restated)</i>	
Earnings for the period attributable to equity shareholders of the Company	852,377	575,950
Less: Earnings for the period from discontinued operation	<u>—</u>	<u>(32,509)</u>
Earnings for the purpose of basic and diluted earnings per share for continuing operations	<u>852,377</u>	<u>543,441</u>

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

(7) Earnings per share *(continued)*

From discontinued operation

Basic and diluted earnings per share for discontinued operation is Nil (2005: HK0.51 cents) per share and Nil (2005: HK0.50 cents) per share respectively which are calculated based on the profit for the period from discontinued operation of Nil (2005: HK\$32,509,000). The denominators used are the same as those detailed above for basic and diluted earnings per share.

(8) Trade and other receivables

Except for revenue from property sales, lease of properties 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:

	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
Receivables, aged		
0-30 days	273,886	400,699
31-90 days	230,308	131,543
Over 90 days	706,152	467,914
	<u>1,210,346</u>	<u>1,000,156</u>

The directors consider that the carrying amounts of the Group's trade and other receivable at 30 June 2006 and 31 December 2005 approximate their respective fair values.

(9) Trade and other payables

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

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Payables, aged		
0-30 days	1,213,410	1,808,905
31-90 days	51,568	51,620
Over 90 days	1,788,961	798,937
Consideration for acquisition of investment payable	57,708	57,638
Retentions payable	79,544	151,130
	<u>3,191,191</u>	<u>2,868,230</u>

Of the retention payable, an amount of HK\$18,000,000 (31 December 2005: HK\$80,000,000) is due not within twelve months.

The directors consider that the carrying amounts of the Group's trade and other payables at 30 June 2006 and 31 December 2005 approximate their respective fair values.

(10) Contingent liabilities

At 30 June 2006, guarantees given by the Group in respect of credit facilities granted to associates were HK\$7,000,000 (31 December 2005: HK\$9,500,000). The Group provided repurchase guarantee for the repayment of the mortgage bank loans granted to purchasers of the Group's properties amounted to HK\$2,843,000,000 (31 December 2005: HK\$3,091,000,000). In addition, the Group provided completion guarantee amounted to HK\$83,420,000 (31 December 2005: Nil) in respect of a property development project.

(11) Pledge of assets

At the balance sheet date, the Group's bank loans and the mortgage bank loans granted to the purchasers of the Group's properties were secured by the Group's bank deposits and other assets of net book values amounted to HK\$4,000,000 (31 December 2005: HK\$76,000,000).

(12) Post balance sheet event

Subsequent to the balance sheet date, the bonus issue of the warrants of the Company was approved by shareholders of the Company on the Extraordinary General Meeting held on 12 July 2006. As at 21 July 2006, the Company's parent company has fully exercised the Bonus Warrants to subscribe shares. The Company's capital is thus increased by HK\$1.8 billion.

Others

Interim Dividends

The Board declared the payment of an interim dividend of HK4 cents per share (2005: HK3 cents per share) to shareholders whose names appear in the register of members of the Company on 15 September 2006. The interim dividend will be payable on 28 September 2006.

Closure of Register of Members

The register of members of the Company will be closed from 13 September 2006 (Wednesday) to 15 September 2006 (Friday), 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 registrar, Standard Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 12 September 2006 (Tuesday).

Warrant holders who wish to convert their warrants into shares in order to qualify for the interim dividend must lodge the duly completed subscription form together with the relevant warrant certificates accompanied by the subscription monies with the Company's registrar not later than 4:00 p.m. on 12 September 2006 (Tuesday).

Share Capital

The Company's total issued share capital as at 30 June 2006 was 6,489,587,609 ordinary shares of HK\$0.10 each (the "**Shares**").

Information on Share Options

Information in relation to share options disclosed in accordance with the Listing Rules is as follows:

(1) Movement of share options during the period ended 30 June 2006

Name	Date of Grant	Outstanding at 01.01.2006	Number of shares under options granted			Outstanding at 30.06.2006
			Granted during the period	Exercised during the period	Cancelled during the period	
Mr. Kong Qingping	17.07.1997 (i)	1,000,000	-	-	-	1,000,000
	14.02.1998 (ii)	10,440,000	-	(9,880,000)	-	560,000
	30.09.1998 (iii)	460,000	-	(460,000)	-	-
	04.01.2000 (iv)	800,000	-	(400,000)	-	400,000
	18.06.2004 (vi)	3,360,000	-	(672,000)	-	2,688,000
			<u>16,060,000</u>	<u>-</u>	<u>(11,412,000)</u>	<u>-</u>
Mr. Cui Duosheng	17.07.1997 (i)	1,000,000	-	-	-	1,000,000
	14.02.1998 (ii)	8,520,000	-	(8,040,000)	-	480,000
	30.09.1998 (iii)	360,000	-	(360,000)	-	-
	04.01.2000 (iv)	680,000	-	(340,000)	-	340,000
	18.06.2004 (vi)	2,880,000	-	(1,152,000)	-	1,728,000
			<u>13,440,000</u>	<u>-</u>	<u>(9,892,000)</u>	<u>-</u>
Mr. Yao Peifu	17.07.1997 (i)	3,800,000	-	-	-	3,800,000
	14.02.1998 (ii)	14,200,000	-	(13,400,000)	-	800,000
	30.09.1998 (iii)	500,000	-	(500,000)	-	-
	04.01.2000 (iv)	800,000	-	(400,000)	-	400,000
	18.06.2004 (vi)	2,880,000	-	(576,000)	-	2,304,000
			<u>22,180,000</u>	<u>-</u>	<u>(14,876,000)</u>	<u>-</u>
Mr. Hao Jian Min	17.07.1997 (i)	550,000	-	-	-	550,000
	14.02.1998 (ii)	480,000	-	(160,000)	-	320,000
	30.09.1998 (iii)	180,000	-	(180,000)	-	-
	04.01.2000 (iv)	480,000	-	(240,000)	-	240,000
	18.06.2004 (vi)	2,304,000	-	(576,000)	-	1,728,000
			<u>3,994,000</u>	<u>-</u>	<u>(1,156,000)</u>	<u>-</u>

(1) Movement of share options during the period ended 30 June 2006 (continued)

Name	Date of Grant	Outstanding at 01.01.2006	Number of shares under options granted			Outstanding at 30.06.2006
			Granted during the period	Exercised during the period	Cancelled during the period	
Mr. Wu Jianbin	17.07.1997 (i)	550,000	-	-	-	550,000
	14.02.1998 (ii)	480,000	-	(160,000)	-	320,000
	30.09.1998 (iii)	180,000	-	(180,000)	-	-
	04.01.2000 (iv)	520,000	-	(260,000)	-	260,000
	18.06.2004 (vi)	2,304,000	-	-	-	2,304,000
			<u>4,034,000</u>	<u>-</u>	<u>(600,000)</u>	<u>-</u>
Mr. Xiao Xiao	17.07.1997 (i)	600,000	-	-	-	600,000
	14.02.1998 (ii)	540,000	-	(180,000)	-	360,000
	30.09.1998 (iii)	400,000	-	(400,000)	-	-
	04.01.2000 (iv)	780,000	-	(520,000)	-	260,000
	18.06.2004 (vi)	2,000,000	-	(800,000)	-	1,200,000
			<u>4,320,000</u>	<u>-</u>	<u>(1,900,000)</u>	<u>-</u>
Mr. Jin Xinzong	17.07.1997 (i)	200,000	-	-	-	200,000
	14.02.1998 (ii)	180,000	-	(60,000)	-	120,000
	30.09.1998 (iii)	50,000	-	(50,000)	-	-
	04.01.2000 (iv)	320,000	-	(160,000)	-	160,000
	18.06.2004 (vi)	1,280,000	-	-	-	1,280,000
			<u>2,030,000</u>	<u>-</u>	<u>(270,000)</u>	<u>-</u>
Mr. Cheung Shiu Kit	17.07.1997 (i)	1,000,000	-	-	-	1,000,000
	18.06.2004 (vi)	2,880,000	-	-	-	2,880,000
		<u>3,880,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,880,000</u>
Aggregate of other employees*	17.07.1997 (i)	47,150,000	-	(11,680,000)	(3,070,000)	32,400,000
	14.02.1998 (ii)	35,560,000	-	(23,020,000)	(710,000)	11,830,000
	30.09.1998 (iii)	5,920,000	-	(5,090,000)	-	830,000
	04.01.2000 (iv)	16,210,000	-	(7,520,000)	(540,000)	8,150,000
	24.10.2001 (v)	-	-	-	-	-
	18.06.2004 (vi)	33,876,000	-	(4,196,000)	(1,720,000)	27,960,000
			<u>138,716,000</u>	<u>-</u>	<u>(51,506,000)</u>	<u>(6,040,000)</u>

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

- (2) At 30 June 2006, the options granted to subscribe for 111,002,000 Shares remained outstanding, representing approximately 1.71% of the issued share capital of the Company at that date. Options to subscribe for a total of 6,040,000 Shares have been cancelled during the period ended 30 June 2006.

As at the date of this interim report, 96,844,000 Shares were available for issue under the Share Option Scheme, representing approximately 1.40% of the issued share capital of the Company at that date.

- (3) During the period ended 30 June 2006, options to subscribe for a total of 91,612,000 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 HK\$
18.01.2006	-	2,330,000	2,450,000	3,890,000	-	576,000	9,246,000	3.81
02.02.2006	-	2,870,000	2,700,000	3,590,000	-	1,156,000	10,316,000	3.92
23.02.2006	-	330,000	330,000	480,000	-	576,000	1,716,000	3.94
31.03.2006	-	-	30,000	90,000	-	800,000	920,000	4.17
20.04.2006	1,870,000	150,000	-	-	-	-	2,020,000	4.38
21.04.2006	5,390,000	180,000	60,000	160,000	-	-	5,790,000	4.40
03.05.2006	790,000	780,000	460,000	1,000,000	-	672,000	3,702,000	4.46
19.05.2006	2,190,000	30,000	790,000	60,000	-	-	3,070,000	4.54
05.06.2006	1,440,000	200,000	-	20,000	-	156,000	1,816,000	4.53
13.06.2006	-	47,800,000	-	-	-	40,000	47,840,000	4.54
28.06.2006	-	230,000	400,000	550,000	-	3,996,000	5,176,000	4.50
Total:	<u>11,680,000</u>	<u>54,900,000</u>	<u>7,220,000</u>	<u>9,840,000</u>	<u>-</u>	<u>7,972,000</u>	<u>91,612,000</u>	

(3) (continued)

Notes:

(a) Particulars of share options granted:

	Date of Grant	Vesting Period (both dates inclusive)	Exercise Period (both dates inclusive)	Exercise Price Per Share (HK\$)
(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 - 17.06.2009*	18.06.2005 - 17.06.2014	1.13

* 20% can be exercised annually ("Limit") from 18.06.2005. Unexercised portion of the Limit (if any) can be exercised in the remaining Exercise Period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 18.06.2009 to 17.06.2014.

(b) 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.

Directors' and Chief Executive's Interests and Short Positions

As at 30 June 2006, 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 and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:—

(a) Personal interests in Shares(i) *the Company*

Name of director	Number of Shares	Percentage of issued share capital
Mr. Kong Qingping	15,012,000	0.231%
Mr. Cui Duosheng	12,832,000	0.198%
Mr. Yao Peifu	18,876,000	0.291%
Mr. Hao Jian Min	3,036,000	0.047%
Mr. Wu Jianbin	2,816,000	0.043%
Mr. Xiao Xiao	1,900,000	0.029%
Mr. Jin Xinzhong	860,000	0.013%
Mr. Wang Man Kwan, Paul	320,000	0.005%
Dr. Li Kwok Po, David	200,000	0.003%

(a) Personal interests in Shares *(continued)*

(ii) *Associated Corporation: China State Construction International Holdings Limited*

Name of director	Number of Shares	Percentage of issued share capital
Mr. Kong Qingping	200,000	0.041%
Mr. Cui Duosheng	163,333	0.033%
Mr. Yao Peifu	922,222	0.187%
Mr. Jin Xinzong	15,000	0.003%
Dr. Li Kwok Po, David	11,111	0.002%

(b) Interests in options to acquire Shares

Information in relation to interests in options to acquire shares of the Company is set out in the section headed "Information on Share Options".

Information in relation to interests in options to acquire shares of China State Construction International Holdings Limited, the Company's associated corporation (within the meaning of Part XV of the SFO) is set out below:-

Name of director	Number of Options	Percentage of issued share capital
Mr. Kong Qingping	1,200,000	0.244%
Mr. Cui Duosheng	1,200,000	0.244%
Mr. Yao Peifu	1,050,000	0.213%
Mr. Hao Jian Min	1,050,000	0.213%
Mr. Wu Jianbin	1,050,000	0.213%
Mr. Xiao Xiao	1,050,000	0.213%
Mr. Jin Xinzong	720,000	0.146%
Mr. Wang Man Kwan, Paul	400,000	0.081%
Mr. Cheung Shiu Kit	700,000	0.142%

Save as disclosed above, 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 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 2006, 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 Part XV of the SFO), or had exercised any such rights.

Substantial Shareholders

At 30 June 2006, 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")	3,266,340,800	50.33%
China State Construction Engineering Corporation ("CSCEC")	3,266,340,800	50.33%

COHL is a direct wholly owned subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,266,340,800 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 2006.

Model Code for Securities Transactions by Directors

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "Securities Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry of the directors, the directors confirmed that they have complied with the requirements set out in the Securities Code for the six months ended 30 June 2006.

Corporate Governance

(a) Corporate governance practice

None of any information indicates that the Company has not, for any part of the period covered by the 2006 interim report, been in compliance with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, save for the deviation set out in detail below.

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 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. Instead, the Board believes that the existing structure will facilitate communications between the Board and the Management, enabling the Company to make and implement decisions in an efficient manner.

(a) **Corporate governance practice** *(continued)*

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 (“AGM”) 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 Chairman and the Chief Executive Officer of the Company retire by rotation once every three to four years in accordance with the Articles of Association of the Company. To comply with this Code Provision, an internal mechanism has been adopted by the Company whereby a director, who in accordance with the Articles of Association of the Company is not subject to retirement by rotation on the AGM in the third year since his appointment, will be reminded to retire from office voluntarily.

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 AGM 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.

(b) Internal Control

The Board of the Company is responsible for the Company's internal control system and risk management.

During the first half year of 2006, the Company completed some significant review and monitor programs of internal management, which are set forth as below:

- All the Company's subsidiaries subject to 2005 review of performance assessment have reported to the Audit Committee as to the improvement of conducts on issues identified in internal auditing and relevant recommendations.
- The Company completed the assessment of internal control system of one subsidiary company and performance assessment on two real estate operating units based in mainland.

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

During the period, the Board of the Company have not exercised powers of the Company to make repurchases of its own shares on the Stock Exchange.

Review of Interim Report

The unaudited interim report of the Group for the six months ended 30 June 2006 was reviewed by the members of the Audit Committee of the Company which comprises three independent non-executive directors.

At last, on behalf of the Board, I would like to take this opportunity to express my gratitude to all staff for their dedication and hard work and the community for their enthusiastic support.

By order of the Board

Kong Qingping

Chairman and Chief Executive

Hong Kong, 21 August 2006

