



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

Stock Code : 688

Interim Report
2007



信守承諾
持續增長



Contents

2	Corporate Structure
3	Board of Directors, Honourable Chairman and Committees
4	Corporate and Shareholders' Information
5	Chairman's Statement
9	Management Discussion and Analysis
	Consolidated Results
16	Consolidated Income Statement
18	Condensed Consolidated Balance Sheet
20	Condensed Consolidated Cash Flow Statement
21	Consolidated Statement of Changes in Equity
23	Notes to the Financial Statements
	Others
31	Interim Dividends
31	Closure of Register of Members
31	Share Capital and Warrants
32	Information on Share Options of the Company
35	Directors' and Chief Executive's Interests in Securities
37	Substantial Shareholders' Interests in Securities
38	Model Code for Securities Transactions by Directors
38	Corporate Governance
39	Purchase, Sale or Redemption of the Company's Listed Securities
40	Review of Interim Report by Audit Committee

Corporate Structure



* Property development in 16 major cities in Mainland China, including Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hanzhou, Zhuhai and Qingdao and also in Hong Kong and Macau.

Board of Directors, Honourable Chairman and Committees

Chairman	Kong Qingping
Honourable Chairman	Sun Wen Jie [#]
Executive Directors	Hao Jian Min <i>Vice Chairman & Chief Executive Officer</i> Xiao Xiao <i>Vice Chairman</i> Wu Jianbin Chen Bin Zhu Yijian Luo Liang Wang Man Kwan, Paul
Independent Non-Executive Directors	Li Kwok Po, David Lam Kwong Siu Wong Ying Ho, Kennedy
Authorized Representatives	Kong Qingping Hao Jian Min Xiao Xiao <i>(Alternate authorized representative to Hao Jian Min)</i> Wu Jianbin <i>(Alternate authorized representative to Kong Qingping)</i>
Audit Committee	Li Kwok Po, David* Lam Kwong Siu Wong Ying Ho, Kennedy
Remuneration Committee	Hao Jian Min* Li Kwok Po, David Lam Kwong Siu Wong Ying Ho, Kennedy
Nomination Committee	Kong Qingping* Zhu Yijian Li Kwok Po, David Lam Kwong Siu Wong Ying Ho, Kennedy

[#] not a director of the Company

* Committee Chairman

Corporate and Shareholders' Information

Corporate Information

Registered Office

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
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Facsimile : (852) 2865 5939
Website : www.coli.com.hk

Qualified Accountant

Wang Man Kwan, Paul

Company Secretary

Keith Cheung, Solicitor

Registrar

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2861 0285
E-mail : is-enquires@hk.tricorglobal.com

Legal Advisor

Johnson Stokes & Master

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

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

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 OVSNI207
Code: 2521
Bloomberg : EF0142101
Reuters : KY022045903
CINS-G2155ZAA2

Warrants

SEHK : CHI OVERS W0808
Code: 415
Bloomberg : 415HK
Reuters : 0415.HK

Investor Relations

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Public Relations

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Financial Calendar for 2006/07

Interim results : 16 August 2007
announcement
Share register : 19 September 2007 to
closed 21 September 2007
(both days inclusive)
Interim dividend : 3 October 2007
payable

Chairman's Statement

Business Review

The world economy sustained steady growth in the first six months of 2007. The overall economic development of Hong Kong and Macau was good while that of the mainland China sustained rapid growth. The GDP of the mainland China increased by 11.5%, the amount of fixed investment increased by 25.9%, the amount of property investment increased by 28.5% and the Domestic Consumer Price Index (“CPI”) increased by 3.2%, compared with the same period last year. During the period, the Chinese Government continued to launch a series of macro control measures to resolve the problem of over-investment in property development or too rapid increase in property price in certain cities. This was aimed at improving or executing policies in relation to financing, land supply and taxation of the property sector.

The Group continues to concentrate its efforts and resources in the development of the property business in mainland China and to strengthen further the nationwide expansion development strategy. Through the business networks spreading over 16 major cities on the mainland and also Hong Kong and Macau, the Group is able to balance the market risks while expanding rapidly its business. During the period under review, the Group held on the philosophy of “Excellent Integrity, Eternal and Excellent Products (「誠信卓越，精品永恆」)” and won numerous prizes for the projects developed. Furthermore, backing on its strong brand name and marketing capability, the Group strives to expedite its sales while maintaining a relatively high profit margin, thus confirming the leading status of the Group in the China real estate market.

The business performance of the Group for the first half of year 2007 was excellent. The profit attributable to shareholders was increased sharply by 60.2% to a record high of HK\$1.37 billion, thus enhancing the value for the shareholders of the Company.

For the six months ended 30th June 2007, the total turnover of the Group was HK\$4.76 billion, representing an increase of 32.2% as compared to the corresponding period last year. The turnover of the Group's property development business in the mainland China was HK\$4.14 billion, representing an increase of 38.5%. The turnover of Hong Kong and Macau property development business (completion of the la Cite' project in Macau was deferred to the second half of year 2007 due to delay in provision of electricity supply) was reduced by 42.7% to about HK\$60 million.

The operating profit of the Group was HK\$1.78 billion, an increase of 93.4% as compared to the corresponding period of last year. The operating profit of the property development business in the mainland China was increased by 73.0% to HK\$1.3 billion. The operating profit of Hong Kong and Macau property development business was reduced by 90.7% to about HK\$2 million.

The property sales amount of the Group was a record high of HK\$8.55 billion and the corresponding gross floor area (“GFA”) was also a record high of 928,000 sq.m. Sales of properties in the mainland China remained robust, amounting to HK\$8.41 billion, an increase of 30.2%; GFA sold was 925,000 sq.m., an increase of 21.1%. A total of 4 projects were completed for occupation with a total GFA of 263,000 sq.m., 81.6% of which was sold as end of June; sales of property held for sale was satisfactory with 303,000 sq.m. sold for HK\$3.45 billion.

During the period, the Group acquired 8 parcels of high quality land in Suzhou, Chengdu, Qingdao, Zhuhai, Ningbo, Changchun, and 1 parcel of land in Hong Kong, adding a GFA of 2.91 million sq.m., increasing the total land bank to over 17.66 million sq.m.

By end of June, most of the bonus warrants were exercised injecting in aggregate HK\$3.3 billion (HK\$2.1 billion was received last year) shareholders’ funds thus strengthening the Group’s financial capability and optimizing the capital structure. The shareholders’ funds of the Company were increased to HK\$18.0 billion as at end of June.

During the period reported, the Group has successfully maintained the investment grade rating issued by both Standard & Poor and Moody’s.

Prospect

Since 2004, the relevant authorities of the Chinese government have implemented a series of macro control measures to regulate the real estate industry. This demonstrates the efforts of the government to protect the real estate industry and to ensure its healthy development and has strong positive impacts to the industry in the longer term. The macro economic development of China was good in year 2007 but excessive production and liquidity have eminent effects. Economic indicators on CPI and fixed investment are going too fast. The new macro control measures implemented bring in new changes to the competition environment of the property development industry. Competing for land is getting more obvious and serious.

Taking into consideration that the real estate industry has become a key pillar of the Chinese economy, the progress in the modernization and urbanization of China, the trend in the increase in the disposal income and the change in the demand for investment and consumption of the Chinese, the Group believes that a sustainable, stable and rational real estate market will be established in China and the real estate industry in China is at the golden stage and will grow rapidly in the next three decades. From time to time, some cities may be over-heated and have different degree of fluctuation and adjustment. Such cyclical risks can be controlled and balanced through the nationwide strategic development and expansion of commercial properties.

Backing on its team of quality professionals, Excellent Quality (精品) brand recognition, abundant financial resources coming from domestic and overseas financial channels, corporate governance of international standard, sharp market judgment and effective risk control policies and measures, the Group is fully confident that it will become a sizable and strong nationwide real estate developer with international influence. With more projects going out to the market in the second half of this year, it is expected that not less than 2.1 million sq.m. GFA will be sold and not less than 2.5 million sq.m. GFA will be completed for year 2007. The la Cite' project in Macau will be completed for occupation in the second half of year 2007 and is expected to bring in handsome profit. It is expected that the profit for the Group as a whole will have substantial growth for year 2007.

During the period, the Group entered into Zhuhai and Qingdao. The commercial property projects on hand are progressing well. To cope with market changes and to ensure sustainable rapid growth, the Group will appropriately increase the rate in increasing its land bank reserve. Through various means and ways, the Group will expand sources in getting high quality land reserve at low cost. As at end of June, the total land reserve of the Group exceeded 17.66 million sq.m. 5 parcels of land were acquired in Shanghai, Changchun, Hangzhou, Qingdao and Dalian after June 2007, the land reserve was increased to more than 18.6 million sq.m. It is expected that for year 2007 as a whole the total GFA coming from the new land parcels will be between 6.0 million to 8.0 million sq.m.

To be able to raise money from Hong Kong and China is a definite advantage over our competitors. The Group has the choice on the most appropriate and beneficial terms on financing and has adequate financial resources to support the business development. Following the success in raising shareholders' funds of HK\$3.60 billion through the issue of bonus warrants to shareholders of the Company in last year, in July this year, it was proposed that in August the shareholders of the Company would be issued new warrants which if exercised in full will bring in HK\$7.68 billion shareholders' funds. After prepaying a HK\$2.43 billion syndication loan in June, the Group is arranging another club deal in Hong Kong at better terms and which is expected to be completed in August. The Group also signed with several banks in China Comprehensive Cooperation Agreements amounting to Renminbi 28.0 billion. The Group continues to receive the support of the controlling shareholder, China Overseas Holdings Limited and will adhere strictly to the principle of prudent financial policy, speed up the fund turning rate and maintain reasonable gearing. As at end of June, the net gearing ratio was 28.0%.

The prospect of the Group's property development business in China is bright and promising while that of Hong Kong and Macau is good. The Board is very confident of the future of the Group. The Group will watch closely changes in the market, seize actively the opportunities in the real estate market, enhance persistently its competitive advantages through improvement in its manpower, operation mode, product structure and branding thus maintaining the leading status as the blue chip of the real estate conglomerates in the international capital market.

The Group will strive to achieve the corporate mission of "Sustainability, Value-adding, Harmony and Win-win". The Group will move steadily and firmly ahead with its strategy of achieving sustainable development, growing into an ever-green enterprise and attaining a win-win outcome for the Company, its shareholders, business associates, staff members and the community.

Management Discussion and Analysis

Overall Performance

During the period reported, the turnover of the Group's continuing operations was HK\$4.76 billion (the corresponding period in 2006: HK\$3.60 billion), representing an increase of 32.2% as compared to the corresponding period last year. The operating profit was HK1.78 billion (the corresponding period in 2006: HK\$921 million), representing an increase of 93.4% as compared to the corresponding period last year. Profit attributable to equity shareholders amounted to HK\$1.37 billion (the corresponding period in 2006: HK\$852 million), representing an increase of 60.2%. Basic earnings per share was HK19.2 cents (the corresponding period in 2006: HK13.3 cents), an increase of 44.9%, while diluted earnings per share was HK18.6 cents (the corresponding period in 2006: HK13.1 cents).

As at 30 June 2007, the equity attributable to equity shareholders of the Group amounted to HK\$18.0 billion (31 December 2006: HK\$15.5 billion), an increase of 16.5%, while the book value of net asset per share was HK\$2.47 (31 December 2006: HK\$2.2), an increase of 12%.

Income

The operating income from property development business was HK\$4.2 billion, representing an increase of 35.6%. The operating income from the mainland China property development business increased to HK\$4.14 billion due to the faster growth of property sales in the mainland China market, making up 98.5% of the total property development turnover and representing an increase of 38.5% 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 in this project was 50% and the operating income from this project was HK\$420 million. The operating income from property development in Hong Kong and Macau was HK\$63 million, representing a decrease of 42.7% as compared to the corresponding period last year.

Rental income of properties was HK\$59 million, representing a decrease of 3.6% as compared to the corresponding period last year.

Income from infrastructure investment was HK\$11.1 million, representing a decrease of 10.2% as compared to the corresponding period last year.

Income from other operations amounted to HK\$486 million, representing an increase of 13.7% as compared to the corresponding period last year.

Profit from Operations

During the period reported, the operating profit was HK\$1.78 billion, representing an increase of 93.4% as compared to the corresponding period last year. The operating profit from PRC property development business amounted to HK\$1.3 billion, representing an increase of 73.0%. The profit from PRC property development business was mainly attributable to sales from four projects completed during the period and property held for sales. The overall gross profit margin of property development business in the mainland China in the first half of 2007 increased from 31.4% (first half of 2006) to 39%. The property development business in Hong Kong and Macau recorded a profit of HK\$2 million.

Investment properties and infrastructure-related investments continued to provide a stable source of income to the Group, contributing an operating profit of HK\$294 million and HK\$9.4 million respectively.

Unallocated Administrative Expenses

The unallocated administrative expenses of the Group for the first half of 2007 was HK\$69.7 million, representing an increasing of 15.7% as compared to the corresponding period last year.

Property Development

During the period reported, the world economy grew steadily, Hong Kong and Macau were going through fast economic growth. The economy of mainland China sustained robust growth with the total GDP grew at 11.5% over the same period of last year. Various macro-control measures implemented by Chinese government 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 experience robust demand, thus bringing a healthy and rapid growth for property sales in mainland China.

During the period reported, property contracted sales of the Group was HK\$8.55 billion, representing an increase of 18.6% over the corresponding period in 2006. The total gross floor area sold amounted to 928,000 sq.m., representing an increase of 16.3% over the corresponding period of last year. Property contracted sales in the mainland China amounted to HK\$8.41 billion, representing an increase of 30.2% over the same period of last year. The total gross floor area sold in Mainland China was 925,000 sq.m., representing an increase of 21.1% over the same period of last year. Property contracted sales in Hong Kong and Macau amounted to HK\$140 million and the total gross floor area sold was about 3,000 sq.m.

The total gross floor area pre-sold in Mainland China reached 529,000 sq.m. and total property presales amounted to HK\$4.33 billion. As more new projects are to be launched for sales in the second half of 2007 and under current robust market demand conditions, the Board is confident that our annual property sales target of more than 2.1 million sq.m. can be met.

During the period reported, four projects with a total gross floor area of 263,000 sq.m. were completed for occupation in the PRC, of which 81.6% or 215,000 sq.m. was sold with a total sales amount of HK\$1.81 billion. The four projects completed for occupation were:

City	Name of Project	Gross Floor Area ('000 sq.m.)
Shenzhen	The west area of Greenery Heights	55.7
Guangzhou	Phase 1 of Blossom Cove	60.2
Shanghai	Bay Line Phase 1	31.5
Chengdu	International Community	115.8
		<hr/>
Total		263.2
		<hr/>

The sales of the Group's property held for sale before 2006 was HK\$3.45 billion with a total gross floor area of 303,000 sq.m.. By the end of June, property held for sale was 187,000 sq.m. of which 140,000 sq.m. was related to property completed before 2006.

Land Bank

During the period reported, the Group newly acquired 9 parcels of land in 7 cities of mainland China with a total land cost of HK\$6.65 billion and a total gross floor area of approximately 2.91 million 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 Zhuhai, Qingdao, Changchun, Chengdu, Suzhou and Ningbo. The total land bank of the Group reach 17.66 million sq.m. at end of June. In July, the Group acquired additional new land bank of 940,000 sq.m. and entered into Dalian after penetrating into Zhuhai and Qingdao in the first half of 2007. After the solidification of our presence in Pan-Bohai region, the Group has established its initial national coverage.

By the end of July, the Group had a total land reserve of 18.6 million sq.m. in 17 cities/regions in mainland China and Hong Kong & Macau which will sustain continual developments for the next 4 to 5 years.

New Land Reserve Added in the first half of 2007

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>)
Changchun	Zhonghai City	100%	500.8	1,019.5	790.0
Suzhou	B19 Plot	100%	48.1	205.0	525.0
Ningbo	Yinzhou Gaojiao Plot	50%	198.0	389.7	891.0
Chengdu	High-tech District 31# Plot	100%	151.3	511.6	1,444.0
Chengdu	High-tech District 1-1# Plot	100%	63.8	256.4	699.0
Qingdao	Yinchuan Xilu No. 7	100%	58.1	253.1	868.0
Zhuhai	Yin Keng Plot	100%	107.9	232.1	707.0
Zhuhai	Hengqin Fuxiangbei	100%	100.2	40.1	196.0
Hong Kong	Stanley Bay	100%	3.8	2.8	525.0
Total			1,232.0	2,910.3	6,645.0

Property Investment

During the period reported, the Group's rental properties in Hong Kong, including China Overseas Building and Horae Place, and Dongshan Plaza in Guangzhou maintained a high occupancy rate. Total rental income for the period was HK\$59.1 million, representing a decrease of 3.6% as compared to the corresponding period last year.

Infrastructure Investment

During the period reported, the operating income from infrastructure and municipal facilities projects was HK\$11 million, representing a decrease of 10.2% as compared to the corresponding period last year. The profit from operations was HK\$9.4 million, representing an increase of 8.3% as compared to the corresponding period last year.

Liquidity, Financial Resources and Gearing

The Group adopted a prudent financial policy and a centralized management control system on capital funds by strictly monitoring the gearing ratio and excel at financial resources utilisation.

On 30 June 2007, the net gearing ratio of the Group was 28% (31 December 2006: 34%) (calculated on the basis of dividing the difference between bank loans and guaranteed notes payable and the bank balances and cash by shareholders' equity). In the first half of the year, the finance cost increased slightly as compared to the corresponding period of last year due to increase in total borrowings.

As at 30 June 2007, the consolidated bank loans and guaranteed notes payable of the Group amounted to total HK\$9.57 billion, of which bank loans were HK\$7.25 billion (31 December 2006: HK\$6.72 billion) and guaranteed notes payable were HK\$2.32 billion (31 December 2006: HK\$2.32 billion), of which 30.3% was denominated in Hong Kong dollars, 24.4% was in U.S. dollars and 45.3% was in Renminbi.

As at 30 June 2007, the Group had bank balances and cash amounted to approximately HK\$4.49 billion (of which 9.2% was denominated in Hong Kong dollars, 10.4% was denominated in U.S. dollars, 71.4% was denominated in Renminbi and 9.0% was denominated in Macau MOP) and unutilized banking facilities amounted to approximately HK\$2.55 billion. In the first half of 2007, the Group signed Comprehensive Cooperation Agreements with several state-owned banks in mainland China respectively for an aggregate amount of RMB28 billion, thus substantially increasing standby credit facilities of the Group.

All bank borrowings of the Group were made on floating rates. To reduce the exposure to fluctuations in interest rate, the Group entered into an interest swap arrangement of HK\$900 million in 2003. This loan was repaid in September 2006 and the swap arrangement was expired on 23 July 2007.

The bonus warrant issued to shareholders in July 2006 was expired in July 2007 and shareholders' funds of HK\$3.6 billion was raised by the Group. After the period reported, the Group proposed to issue another bonus warrant in August 2007, on the basis of 1 warrant for every 12 shares of the Company held by shareholders. Each warrant entitles the holders to subscribe for 1 share of the Company at HK\$12.50 within the one-year exercise period starting from August 28, 2007. Should the bonus warrants be fully exercised, shareholders' funds of HK\$7.68 billion would be raised for the Group.

The Group has no other derivative exposure either for hedging or speculative purpose. Taking into consideration the potential fluctuation of interest rate and the further appreciation of Renminbi and subject to detailed studies, the Group will carefully consider entering into currency and interest rate swap arrangements.

Awards and Corporate Social Responsibilities

On 30 June 2007, the Group was ranked by "China Real Estate Top 10 Research Team", as the No.1 in China Top 10 Real Estate Company Listed in Hong Kong in terms of both overall strength and economic value added. The China Real Estate Top 10 Research Team was established by three authoritative organizations in China including The Development Research Centre of the State Council, and this demonstrated the Group's leading position in the China property market.

During the period reported, seven residential projects of the Group's fourth generation products were awarded the "2007 Zhan Tianyou Outstanding Residential District Gold Award" on account of their outstanding performance in planning, architecture, environment, technology and quality. "Zhan Tianyou Award", sponsored by China Civil Engineering Institute and Zhan Tianyou Science & Technology Development Specialized Fund Committee, is the highest honor in China property sector. Twenty projects are awarded the prize annually, and the Group is the property company who were awarded the biggest number of prizes. These awards fully recognize the Group's quality products and innovative residential models in the China property market.

The Group places high emphasis on carrying out its corporate social responsibility, and keen to participate in community programmes and charitable activities. The Group is also actively developing energy-saving and environment-friendly construction after conducting comprehensive environmental study on the Group's completed projects and ongoing projects with leading research institutes. Meanwhile, the Group has implemented the technical guidebook of "green projects" within the Group, which contributes to the overall and continuing improvement of environmental protection.

Employees

As at 30 June 2007, the Group had 11,408 employees, of which 896 were based in Hong Kong and 10,512 in the mainland China. The substantial increase in staff number is due to the acquisition of the property management business from the Group's ultimate controlling shareholder. At the beginning of the year, the Group rewarded staff members who had attained job objective with satisfactory performance in accordance with the target responsibility system. Thus, personal performance and collective operating results of departments and the Group are linked. During the period reported, the Group continually enhanced staff training and provided a series of training courses concerning business, safety and environmental protection, professional ethic & etc. in order to enhance the corporate citizenship of the Group.

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 2006, 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 2007 and the comparative figures for the corresponding period in 2006 are as follows:

	Six months ended 30 June	
	<i>Notes</i>	2006
	2007	2006
	HK\$'000	HK\$'000
Turnover	4,759,655	3,600,072
Cost of sales	(2,684,483)	(2,142,874)
Direct operating expenses	(326,507)	(329,300)
	1,748,665	1,127,898
Increase in fair value of investment properties	240,000	—
Other operating income	163,063	103,673
Selling and distribution costs	(155,939)	(101,202)
Administrative expenses	(213,386)	(208,910)
Operating profit	1,782,403	921,459
Finance costs	(267,054)	(173,759)
Share of (loss) profits of		
Associates	(9,644)	(4,867)
Jointly controlled entities	189,032	325,187
Profit before tax	1,694,737	1,068,020
Income tax expense	(344,664)	(260,842)
Profit for the period	1,350,073	807,178

Consolidated Income Statement *(continued)*

	<i>Notes</i>	Six months ended 30 June	
		2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		1,365,418	852,377
Minority interests		(15,345)	(45,199)
		1,350,073	807,178
Interim dividends (proposed HK5 cents, 2006: HK4 cents)	(5)	364,486	278,729
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	(6)		
Basic		19.2	13.3
Diluted		18.8	13.1

Condensed Consolidated Balance Sheet

<i>Notes</i>	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Non-current Assets		
Investment properties	2,474,580	1,638,580
Property, plant and equipment	1,622,584	1,504,331
Prepaid lease payments for land	109,573	76,861
Investments in associates	152,574	141,288
Investments in jointly controlled entities	1,912,525	1,753,783
Investments in syndicated property project companies	98,835	143,895
Investments in infrastructure projects	31,771	127,891
Amounts due from associates	177,031	187,227
Amounts due from jointly controlled entities	450,270	439
Amounts due from syndicated property project companies	554,855	490,954
Other financial assets	33,222	33,720
Goodwill	109,939	64,525
	<u>7,727,759</u>	<u>6,163,494</u>
Current Assets		
Inventories	20,158	32,279
Stock of properties	27,862,711	22,486,481
Investments held-for-trading	288,527	362,563
Prepaid lease payments for land	5,317	3,674
Trade and other receivables	2,255,505	1,470,435
Deposits and prepayments	1,306,402	637,251
Amount due from an associate	864,593	857,662
Amounts due from infrastructure projects	4,704	20,240
Other financial assets	3,442	3,080
Tax prepaid	29,783	56,297
Asset held-for-sale	101,916	—
Bank balances and cash	4,494,476	3,760,165
	<u>37,237,534</u>	<u>29,690,127</u>

Condensed Consolidated Balance Sheet *(continued)*

		30 June 2007	31 December 2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Current Liabilities			
Trade and other payables	(8)	8,324,170	5,367,520
Pre-sales deposits		5,981,394	3,503,362
Rental and other deposits		733,006	210,254
Amounts due to associates		158,790	154,356
Amounts due to jointly controlled entities		810,253	666,591
Tax liabilities		664,662	826,051
Bank loans — due within one year		2,944,038	673,431
		19,616,313	11,401,565
Net Current Assets			
		17,621,221	18,288,562
		25,348,980	24,452,056
Capital and Reserves			
Share capital		728,972	700,606
Share premium and reserves		17,272,212	14,748,839
Equity attributable to equity shareholders of the Company		18,001,184	15,449,445
Minority interests		(542,683)	(560,036)
Total Equity			
		17,458,501	14,889,409
Non-current Liabilities			
Bank loans — due after one year		4,297,938	6,047,000
Guaranteed notes payable		2,324,938	2,323,440
Amounts due to minority shareholders		768,207	781,020
Deferred tax liabilities		499,396	411,187
		7,890,479	9,562,647
		25,348,980	24,452,056

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2007 <i>HK\$'000</i> <i>(Unaudited)</i>	2006 <i>HK\$'000</i> <i>(Unaudited)</i>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(537,343)	782,125
NET CASH USED IN INVESTING ACTIVITIES	(463,972)	(175,171)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,086,427	(95,316)
NET INCREASE IN CASH AND CASH EQUIVALENTS	85,112	511,638
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,589,051	3,126,381
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	167,928	15,605
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,842,091	3,653,624
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	4,494,476	3,686,550
<i>Less: restricted bank balances</i>	(641,584)	(32,926)
	3,852,892	3,653,624
Bank loans and overdrafts	(10,801)	—
	3,842,091	3,653,624

Consolidated Statement of Changes in Equity

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	PRC statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	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 recognized directly in equity	—	—	—	57,835	—	—	57,835	1,400	59,235
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
Net exchange differences on translation of financial statements	—	—	—	407,221	—	—	407,221	9,886	417,107
Share of minority shareholders' reserve movements	—	—	—	(1,932)	(1,505)	—	(3,437)	3,437	—
Share of associates' reserve movements	—	—	—	6,250	—	—	6,250	—	6,250
Surplus on revaluation on reclassification of properties	—	—	—	612	—	—	612	—	612
Change in fair value of investments	—	—	—	(72,098)	—	—	(72,098)	—	(72,098)
Acquisition of additional interests in a subsidiary	—	—	—	(380,000)	—	—	(380,000)	(284,651)	(664,651)
Net income recognised directly in equity	—	—	—	(39,947)	(1,505)	—	(41,452)	(271,328)	(312,780)
Profit for the period	—	—	—	—	—	1,518,373	1,518,373	(13,591)	1,504,782
Eliminated on disposal of subsidiaries	—	—	—	(19,228)	—	—	(19,228)	—	(19,228)
Release of reserve upon realisation of assets	—	—	—	189,313	—	—	189,313	—	189,313
Total recognised income and expenses for the period	—	—	—	130,138	(1,505)	1,518,373	1,647,006	(284,919)	1,362,087

Consolidated Statement of Changes in Equity (continued)

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	PRC statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
Issue of shares upon exercise of share options	4,740	105,706	—	(1,090)	—	—	109,356	—	109,356
Share issue expenses — share options	—	(123)	—	—	—	—	(123)	—	(123)
Issue of shares upon exercise of warrants	46,907	2,063,907	—	—	—	—	2,110,814	—	2,110,814
Share issue expenses — warrants	—	(233)	—	—	—	—	(233)	—	(233)
Recognition of share-based payments	—	—	—	134	—	—	134	—	134
Contribution from equity participants	—	—	—	—	—	—	—	106,067	106,067
Eliminated on disposal of subsidiaries	—	—	—	—	—	—	—	(35,262)	(35,262)
Eliminated on acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	278,517	278,517
2006 interim dividend paid	—	—	—	—	—	(278,729)	(278,729)	—	(278,729)
Transfer to PRC statutory reserve	—	—	—	—	127,530	(127,530)	—	—	—
At 31 December 2006	700,606	9,066,154	18,798	448,611	283,000	4,932,276	15,449,445	(560,036)	14,889,409
Net exchange differences on translation of financial statements	—	—	—	347,480	—	—	347,480	19,617	367,097
Share of minority shareholders' reserve movements	—	—	—	(1,741)	—	—	(1,741)	1,741	—
Share of associates' reserve movements	—	—	—	4,158	—	—	4,158	—	4,158
Change in fair value of investments	—	—	—	8,636	—	—	8,636	—	8,636
Net income recognised directly in equity	—	—	—	358,533	—	—	358,533	21,358	379,891
Profit for the period	—	—	—	—	—	1,365,418	1,365,418	(15,345)	1,350,073
Release of reserve upon realisation of assets	—	—	—	29,200	—	—	29,200	—	29,200
Total recognised income and expenses for the period	—	—	—	387,733	—	1,365,418	1,753,151	6,013	1,759,164
2006 final dividend paid	—	—	—	—	—	(436,490)	(436,490)	—	(436,490)
Issue of shares upon exercise of share options	2,682	77,497	—	(1,248)	—	—	78,931	—	78,931
Share issue expenses — share options	—	(78)	—	—	—	—	(78)	—	(78)
Issue of shares upon exercise of warrants	25,684	1,130,124	—	—	—	—	1,155,808	—	1,155,808
Share issue expenses — warrants	—	(286)	—	—	—	—	(286)	—	(286)
Recognition of share-based payments	—	—	—	703	—	—	703	—	703
Contribution from equity participants	—	—	—	—	—	—	—	11,340	11,340
Transfer to PRC statutory reserve	—	—	—	—	771	(771)	—	—	—
At 30 June 2007	728,972	10,273,411	18,798	835,799	283,771	5,860,433	18,001,184	(542,683)	17,458,501

Notes to the Financial Statements

For the six months ended 30 June 2007

(1) Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 8	Operating Segments ¹
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

(2) Turnover and Contribution

Turnover represents proceeds from sales of properties, property rentals, revenue from supply of heat and electricity, revenue from infrastructure project investments, real estate agency and management service fees and other operations.

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

(2) Turnover and Contribution *(continued)*

Segment information about these businesses is presented below:

Six months ended 30 June 2007

	Property development	Property investment	Infrastructure	Other Operations	Intragroup eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External	4,203,879	59,060	11,097	485,619	—	4,759,655
Inter-segment	—	839	—	12,750	(13,589)	—
Total turnover	<u>4,203,879</u>	<u>59,899</u>	<u>11,097</u>	<u>498,369</u>	<u>(13,589)</u>	<u>4,759,655</u>
RESULTS						
Segment results	<u>1,304,876</u>	<u>293,614</u>	<u>9,350</u>	<u>130,601</u>	<u>(42,246)</u>	1,696,195
Interest and other income						155,905
Unallocated corporate expenses						<u>(69,697)</u>
Operating profit						1,782,403
Share of profits (losses) of						
Associates	(9,644)	—	—	—	—	(9,644)
Jointly controlled entities	155,968	—	33,064	—	—	189,032
Finance costs						<u>(267,054)</u>
Profit before tax						1,694,737
Income tax expense						<u>(344,664)</u>
Profit for the period						<u>1,350,073</u>

(2) Turnover and Contribution *(continued)*

Six months ended 30 June 2006

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

(3) Operating profit

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit has been arrived at after charging (crediting):		
Depreciation	76,751	54,106
Interest income	(65,209)	(42,982)

(4) Income tax expense

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax	(1,124)	5,525
PRC income tax	299,223	259,407
	298,099	264,932
Deferred tax		
Current year	68,306	(4,090)
Attributable to a change in PRC income tax rate	(21,741)	—
	46,565	(4,090)
	344,664	260,842

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

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

(5) Dividends

The Board declared the payment of an interim dividend for 2007 of HK5 cents per share (2006: HK4 cents per share).

(6) Earnings per share

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\$1,365,418,000 (2006: HK\$852,377,000) and on the weighted average number of 7,105,296,000 (2006: 6,426,641,000) 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\$1,365,418,000 (2006: HK\$852,377,000) and on the weighted average number of 7,278,886,000 (2006: 6,528,259,000) ordinary shares in issue and issuable after adjusting for the weighted average number of dilutive potential ordinary shares in respect of share options and bonus warrants granted of 37,545,000 (2006: 101,618,000) and 136,045,000 (2006: Nil) ordinary shares respectively on the assumption that all share options and bonus warrants were exercised during the period.

(7) 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 2007 HK\$'000	31 December 2006 HK\$'000
Receivables, aged		
0–30 days	1,478,188	835,329
31–90 days	300,495	193,245
Over 90 days	476,822	441,861
	2,255,505	1,470,435

The directors consider that the carrying amounts of the Group's trade and other receivable at 30 June 2007 and 31 December 2006 approximate their respective fair values.

(8) Trade and other payables

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

	30 June 2007 <i>HK\$'000</i>	31 December 2006 <i>HK\$'000</i>
Payables, aged		
0–30 days	5,158,620	4,327,089
31–90 days	1,287,211	31,813
Over 90 days	1,471,622	738,376
Consideration for acquisition of investment payable	5,710	5,710
Retentions payable	401,007	264,532
	8,324,170	5,367,520

Of the retention payable, an amount of HK\$285,000,000 (31 December 2006: HK\$142,000,000) is due not within twelve months.

The directors consider that the carrying amounts of the Group's trade and other payables at 30 June 2007 and 31 December 2006 approximate their respective fair values.

(9) Contingent liabilities

At 30 June 2007, guarantees given by the Group in respect of credit facilities granted to associates were HK\$7,000,000 (31 December 2006: HK\$7,000,000). The Group provided repurchase guarantee for the repayment of the mortgage bank loans granted to purchasers of the Group's properties amounted to HK\$5,091,000,000 (31 December 2006: HK\$5,072,000,000). Outstanding counter indemnities for surety bonds issued in respect of property management contracts amounted to HK\$85,000,000 (31 December 2006: HK\$102,000,000). In addition, the Group provided completion guarantee amounted to HK\$148,000,000 (31 December 2006: HK\$139,000,000) in respect of a property development project.

(10) Pledge of assets

At the balance sheet date, the Group's bank loans were secured by the Group's bank deposits amounted to HK\$27,400,000 (31 December 2006: HK\$26,800,000).

(11) Post balance sheet event

Subsequent to the period ended, the Company has proposed to issue 614.6 million bonus warrants to its shareholders on the basis of 1 warrant for every 12 shares held, at an initial subscription price of HK\$12.5 per share for a term of one year starting from 28 August 2007 (expected). Details of the proposed are set out in the circular dated 9 August 2007 issued by the Company to its shareholders.

Others

Interim Dividends

The Board declared the payment of an interim dividend of HK5 cents per share (2006: HK4 cents per share) to shareholders whose names appear in the register of members of the Company on 21 September 2007. The interim dividend will be payable on 3 October 2007.

Closure of Register of Members

The register of members of the Company will be closed from 19 September 2007 (Wednesday) to 21 September 2007 (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, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 18 September 2007 (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 18 September 2007 (Tuesday).

Share Capital and Warrants

The Company's total issued share capital as at 30 June 2007 was 7,289,722,579 ordinary shares of HK\$0.10 each (the "Shares").

On 18 July 2007, the Company proposed a bonus issue of warrants ("Warrants") to be made in the proportion of 1 Warrant for every 12 ordinary shares held by shareholders of the Company. 615,016,923 units of Warrants exercisable from 28 August 2007 to 27 August 2008 (both dates inclusive) will be issued to the shareholders of the Company on 24 August 2007. Such Warrants will entitle the registered holder to subscribe in cash for 615,016,923 new shares of HK\$0.10 each of the Company at an initial subscription price of HK\$12.50 per share (subject to adjustment).

Information on Share Options of the Company

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 2007

Name	Date of Grant	Number of underlying shares comprised in options				Outstanding at 30.06.2007
		Outstanding at 01.01.2007	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Directors						
Mr. Kong Qingping	17.07.1997 (i)	1,000,000	—	—	—	1,000,000
	14.02.1998 (ii)	560,000	—	(560,000)	—	—
	04.01.2000 (iv)	400,000	—	(400,000)	—	—
	18.06.2004 (vi)	2,688,000	—	(1,344,000)	—	1,344,000
		<u>4,648,000</u>	<u>—</u>	<u>(2,304,000)</u>	<u>—</u>	<u>2,344,000</u>
Mr. Hao Jian Min	17.07.1997 (i)	550,000	—	(550,000)	—	—
	18.06.2004 (vi)	1,728,000	—	—	—	1,728,000
		<u>2,278,000</u>	<u>—</u>	<u>(550,000)</u>	<u>—</u>	<u>1,728,000</u>
Mr. Xiao Xiao	17.07.1997 (i)	600,000	—	(600,000)	—	—
	18.06.2004 (vi)	1,200,000	—	(400,000)	—	800,000
		<u>1,800,000</u>	<u>—</u>	<u>(1,000,000)</u>	<u>—</u>	<u>800,000</u>
Mr. Wu Jianbin	18.06.2004 (vi)	1,728,000	—	—	—	1,728,000
		<u>1,728,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,728,000</u>
Mr. Chen Bin	18.06.2004 (vi)	960,000	—	(320,000)	—	640,000
		<u>960,000</u>	<u>—</u>	<u>(320,000)</u>	<u>—</u>	<u>640,000</u>
Mr. Zhu Yijian (appointed on 22 March 2007)	18.06.2004 (vi)	780,000	—	(260,000)	—	520,000
		<u>780,000</u>	<u>—</u>	<u>(260,000)</u>	<u>—</u>	<u>520,000</u>
Mr. Luo Liang (appointed on 22 March 2007)	18.06.2004 (vi)	384,000	—	—	—	384,000
		<u>384,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>384,000</u>
Sub-Total		<u>12,578,000</u>	<u>—</u>	<u>(4,434,000)</u>	<u>—</u>	<u>8,144,000</u>

(1) Movement of share options during the period ended 30 June 2007 (continued)

Name	Date of Grant	Number of underlying shares comprised in options				Outstanding at 30.06.2007
		Outstanding at 01.01.2007	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Aggregate of other employees*	17.07.1997 (i)	16,690,000	—	(15,815,000)	—	875,000
	14.02.1998 (ii)	2,490,000	—	(1,020,000)	—	1,470,000
	30.09.1998 (iii)	330,000	—	(330,000)	—	—
	04.01.2000 (iv)	1,080,000	—	(1,060,000)	—	20,000
	24.10.2001 (v)	—	—	—	—	—
	18.06.2004 (vi)	28,552,000	—	(4,162,000)	—	24,390,000
	Sub-Total	<u>#49,142,000</u>	<u>—</u>	<u>(22,387,000)</u>	<u>—</u>	<u>26,755,000</u>
	Grand Total	<u>61,720,000</u>	<u>—</u>	<u>(26,821,000)</u>	<u>—</u>	<u>34,899,000</u>

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

(i) Options to subscribe for a total of 1,164,000 shares in the Company held by newly appointed directors as at 1 January 2007 have been deducted for re-classification due to their appointment as directors of the Company during the period under review.

(ii) Options to subscribe for a total of 5,608,000 shares in the Company held by resigned director/director ceased to act as at 1 January 2007 have been added for re-classification due to their resignation/cessation to act as directors of the Company during the period under review.

(2) At 30 June 2007, the options granted to subscribe for 34,899,000 Shares remained outstanding, representing approximately 0.48% 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 2007.

As at the date of this interim report, 23,770,000 Shares were available for issue under the Share Option Scheme, representing approximately 0.32% of the issued share capital of the Company at that date.

- (3) During the period ended 30 June 2007, options to subscribe for a total of 26,821,000 Shares (including options exercised by the Directors) of the Company were exercised, particulars as follows:

Date of Exercise	17.07.1997	14.02.1998	30.09.1998	04.01.2000	24.10.2001	18.06.2004	Total	Weighted average closing price immediately before the exercise (HK\$)
	(i)	(ii)	(iii)	(iv)	(v)	(vi)		
08.01.2007	8,910,000	60,000	—	150,000	—	1,550,000	10,670,000	9.56
29.01.2007	940,000	120,000	—	130,000	—	—	1,190,000	9.26
06.02.2007	100,000	120,000	—	140,000	—	—	360,000	9.06
02.03.2007	1,580,000	740,000	90,000	680,000	—	1,344,000	4,434,000	8.83
30.03.2007	—	—	240,000	260,000	—	—	500,000	8.81
27.04.2007	240,000	—	—	—	—	40,000	280,000	9.11
10.05.2007	500,000	200,000	—	—	—	—	700,000	9.21
28.05.2007	3,100,000	—	—	—	—	—	3,100,000	9.35
21.06.2007	1,595,000	340,000	—	100,000	—	3,552,000	5,587,000	9.61
Total:	16,965,000	1,580,000	330,000	1,460,000	—	6,486,000	26,821,000	

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 in Securities

As at 30 June 2007, 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) Long Positions in Shares and Underlying Shares of the Company (all being personal interest)

Name of director	Number of shares held	Number of underlying shares comprised in		Total	% of shares in issue
		Options <i>(Note 1)</i>	Warrants <i>(Note 2)</i>		
Mr. Kong Qingping	7,716,000	2,344,000	—	10,060,000	0.138%
Mr. Hao Jian Min	3,327,500	1,728,000	—	5,055,500	0.069%
Mr. Xiao Xiao	2,597,500	800,000	—	3,397,500	0.047%
Mr. Wu Jianbin	3,366,000	1,728,000	—	5,094,000	0.070%
Mr. Chen Bin	320,000	640,000	—	960,000	0.013%
Mr. Zhu Yijian	360,000	520,000	—	880,000	0.012%
Mr. Luo Liang	—	384,000	18,750	402,750	0.006%
Mr. Wang Man Kwan, Paul	350,000	—	—	350,000	0.005%
Dr. Li Kwok Po, David	200,000	—	25,000	225,000	0.003%

(b) Long positions in shares and underlying shares of the Associated Corporation — China State Construction International Holdings Limited (*all being personal interest*)

Name of director	Number of shares held	Number of underlying shares comprised in Options	Total	% of shares in issue (Note 4)
Mr. Kong Qingping	200,000	1,200,000	1,400,000	0.280%
Mr. Hao Jian Min	210,000	840,000	1,050,000	0.210%
Mr. Xiao Xiao	—	1,050,000	1,050,000	0.210%
Mr. Wu Jianbin	210,000	840,000	1,050,000	0.210%
Mr. Chen Bin	—	576,000	576,000	0.115%
Mr. Zhu Yijian	—	720,000	720,000	0.144%
Mr. Luo Liang	120,000	480,000	600,000	0.120%
Mr. Wang Man Kwan, Paul	70,000	320,000	390,000	0.078%
Dr. Li Kwok Po, David	11,111	—	11,111	0.002%

Notes:

- Information in relation to interests in options to acquire shares of the Company is set out in the section headed "Information on Share Options of the Company" of this report.
- Information in relation to interests in warrants to acquire shares of the Company is set out in the section headed "Management Discussion and Analysis" of this report.
- The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2007 (i.e. 7,289,722,579 shares).
- The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 30 June 2007 (i.e. 499,614,002 shares).

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 2007, 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' Interests in Securites

At 30 June 2007, 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 shares held (Long Position)	Number of underlying shares comprised in warrants (Long Position)	Total	% of Shares in issue (Note 1)	Capacity
China Overseas Holdings Limited ("COHL") (Note 2)	3,696,657,400	—	3,696,657,400	50.71%	Beneficial owner, Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") (Note 3)	3,696,657,400	—	3,696,657,400	50.71%	Interest of controlled corporation
JP Morgan Chase & Co. (Note 4)	482,228,588	5,809,999	488,038,587	6.69%	Beneficial owner, Investment manager, Custodian

Notes:

1. The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 June 2007 (i.e. 7,289,722,579 shares).
2. Amongst the total number of 3,696,657,400 Shares held by COHL, 3,405,296,150 were held as beneficial owner while the balance of 291,361,250 was interests of controlled corporations.
3. COHL is a direct wholly owned subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,696,657,400 Shares owned by COHL.
4. Amongst the total number of 488,038,587 Shares and warrants held by JP Morgan Chase & Co., 32,570,025 were held as beneficial owner, 250,115,757 were held as investment manager and 205,352,805 were held in its capacity as custodian.

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 2007.

Model Code for Securities Transactions by Directors

The Company has adopted a Code of Conduct on Directors' Securities Transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The directors confirmed that they have complied with the requirements set out in the Securities Code during the relevant accounting period.

Corporate Governance

The Company has complied with all the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2007, except for the following deviations.

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.

During the reporting period, Mr. Kong Qingping, the Company's Chairman, decided to not concurrently act as the chief executive officer of the Company anymore so as to enhance corporate governance standard of the Company. At the recommendation of the Nomination Committee of the Company, the Board of Directors appointed Mr. Hao Jian Min, the Company's Vice Chairman, to fill the vacancy of chief executive officer, with effect from 1 June 2007. Thereafter, the Company has fully complied with the Code Provision A.2.1 set out in Appendix 14 to the Listing Rules as the roles of chairman and chief executive officer of the Company have been separate and performed by different individuals.

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

Code Provision A.4.2 – This Code Provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Articles of Association of the Company (“Articles”) provides that any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting (“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. The Articles further provides that at each 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.

Though the independent non-executive directors of the Company have not been appointed for a specific term, they are subject to retirement and re-election in accordance with the Articles.

To comply with Code Provision A.4.1 and A.4.2, an internal mechanism has been adopted by the Company whereby (1) the newly appointed director will retire and be eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and (2) any director (including Executive Chairman or Managing Director), who is not required to retire by rotation at the AGM in the third year since his appointment or last election, will be reminded to retire from office voluntarily.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Review of Interim Report by Audit Committee


The Audit Committee of the Board of Directors has reviewed the Company's interim results for the year of 2007, and discussed with the Company's management regarding auditing, internal control and other important matters.

By order of the Board

Kong Qingping

Chairman

Hong Kong, 16 August 2007



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